



**Triennial Performance Audits  
for the  
Humboldt County Association of  
Governments**

**FINAL**

**For Fiscal Years 2016-17, 2017-18 and 2018-19**



**Prepared for the**

**Humboldt County  
Association of Governments**

**Prepared by**

**LSC Transportation Consultants, Inc.**



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# HUMBOLDT COUNTY ASSOCIATION OF GOVERNMENTS

## TRIENNIAL PERFORMANCE AUDIT FY 2016-17 through FY 2018-19

*FINAL*

*Prepared for*

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California Public Utilities Code Section 99246 requires that Regional Transportation Planning Agencies (RTPAs) such as the Humboldt County Association of Governments (HCAOG) conduct Triennial Performance Audits (TPAs) of both their own activities and those of their associated transit operators. This performance audit of the HCAOG covers the three-year period from July 1, 2016 to June 30, 2019. The primary objective of a TPA is to provide the HCAOG with an independent and objective evaluation of its effectiveness, efficiency, and economy in its role as the RTPA for Humboldt County. This audit was conducted in accordance with guidelines set forth in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities* developed by Caltrans (September, 2008).

## BACKGROUND

Humboldt County is a rural county with a population of around 136,000 on the north coast of California. It is home to California State University at Humboldt, Humboldt Bay and Redwood National and State Parks.

The HCAOG Board is composed of eight voting members: one member from each of the incorporated cities and one member of the Humboldt County Board of Supervisors. Among other transportation planning responsibilities, one of HCAOG's roles is to allocate TDA funding in accordance with state statutes. Currently, three public transit operators are allocated TDA funding under Article 4 through HCAOG: Humboldt Transit Authority (HTA), Arcata-Mad River Transit System and Fortuna Transit. Blue Lake Rancheria operates a separate transit service which receives funds through Article 8 of the TDA.

## REVIEW OF COMPLIANCE REQUIREMENTS

HCAOG was found to be in compliance with all statutes referenced in the *Performance Audit Guidebook* with the small exception of late Fiscal and Compliance Audits for HTA and Arcata-Mad River Transit system in FY 2018-19.

## STATUS OF PRIOR AUDIT RECOMMENDATIONS

All recommendations from the prior audit were implemented or are considered in-progress. This recommendation pertains to amending the TDA Manual and preparing HCAOG annual reports.

## DETAILED REVIEW OF THE HCAOG FUNCTIONS

A large portion of a performance audit includes reviewing the various functions of the RTPA to determine if there are inefficiencies or particular areas for improvement. The functional review is conducted by reviewing various documents, such as the Regional Transportation Plan and Overall Work Programs and conducting interviews with HCAOG staff.

During the audit period, HCAOG was effective in accomplishing its goals and objectives. HCAOG had one staff member retire during the audit period. The Humboldt County Regional Transportation Plan (RTP) addresses all the required elements. HCAOG follows a comprehensive regional transportation planning process including the preparation and adoption of alternative transportation plans and programs, such

as the Humboldt County Transit Development Plan and a Humboldt Bay Area Bike Map. HCAOG has set forth a clear process for claiming TDA funds in the HCAOG TDA Manual. HCAOG has spearheaded coordination marketing efforts for transit operators through a study to develop a regional brand and website. During the audit period HCAOG successfully distributed recurring grant monies. No state or federal grant applications were denied in Humboldt County due to errors or omissions.

## FINDINGS

- HCAOG was found to be in compliance with all performance related statutes listed in Table 1 with the exception of the delay in the FY 2018-19 Fiscal and Compliance Audit for HTA and Arcata.
- All recommendations from the prior audit were implemented or are in progress.
- The functional review revealed no significant inefficiencies in the way HCAOG performs its duties.
- HCAOG performs the unmet transit needs process in accordance with TDA requirements.
- HCAOG provides a good amount oversight and planning assistance for the transit operators in the region without overstepping the bounds of the role of an RTPA.
- Although all required responsibilities are met, HCAOG and the transit operators appear to be short-staffed.

## RECOMMENDATIONS

**Recommendation 1:** *Request that the transit operators provide operating data to the HCAOG Board on an annual basis.*

**Recommendation 2:** *For TDA compliance purposes, HCAOG should work with the Fiscal and Compliance Auditor to calculate one farebox ratio for all HTA services (Redwood Transit System (RTS), Southern Humboldt Intercity (SHI), DAR, Eureka Transit System (ETS) and Willow Creek).*

**Recommendation 3:** *HCAOG should amend the TDA Manual to reflect recent changes to the TDA law. Specifically: 1) eligibility criteria for STA operating assistance as amended (PUC 99314.6) and 2) Deadline for the annual operations report to the State Controller's Office.*

**Recommendation 4:** Continue with the recruitment process for a new Associate Planner at HCAOG.

**Recommendation 5:** *Conduct annual performance evaluations of HCAOG staff members.*



## **BACKGROUND**

This TPA has been prepared in compliance with the requirements of California PUC Section 99246, which requires that HCAOG conduct a performance audit of its activities every three years. The primary objective of this audit is to provide HCAOG with an independent and objective evaluation of its performance as it relates to responsibilities in its role as the RTPA for Humboldt County.

This audit evaluates the operations of HCAOG in terms of the efficiency, effectiveness, economy, and results of its programs. In addition, this audit includes a review of HCAOG's implementation of the recommendations that were contained in the previous Audit report, completed in 2017 for the previous audit period FY 2013-14 through FY 2015-16. This current audit covers the three-year period from FY 2016-17 through FY 2018-19. Finally, this audit includes a discussion of the various functions and duties of HCAOG, based on interviews with HCAOG staff.

## **PERFORMANCE AUDIT AND REPORT ORGANIZATION**

This Audit was prepared in the following steps:

- A review of pertinent documents, including the Regional Transportation Plan, transit plans, annual Overall Work Programs (OWPs), annual Fiscal and Compliance audits and State Controller's Reports, and HCAOG agendas, minutes, and supporting staff reports.
- On-site discussions with the HCAOG Executive Director
- Review of prior TPA reports.
- Review of the requirements of the Public Utilities Code, Administrative Code, and other appropriate statutes followed by an assessment of the HCAOG's compliance with the specified requirements.

## **REGIONAL TRANSPORTATION PLANNING AGENCY (RTPA) DESCRIPTION**

The HCAOG was originally formed as a Joint Powers Agency (JPA) between the County of Humboldt and its seven incorporated cities: Arcata, Blue Lake, Eureka, Ferndale, Fortuna, Rio Dell and Trinidad and was designated as the RTPA for the Humboldt County region in 1972. As the RTPA, HCAOG is responsible for allocating TDA funds to the transit operators within its jurisdiction. HCAOG also serves as the Service Authority for Freeway Emergencies for the region.

HCAOG has several standing advisory committees: Policy Advisory Committee, Technical Advisory Committee, Social Services Transportation Advisory Council (SSTAC), Service Coordination Committee as well as ad-hoc committees associated with specific projects.

The HCAOG's objectives are outlined in the annual OWP efforts and address the Federal Planning Emphasis Areas. HCAOG's OWP includes a variety of elements such as administering TDA Fund Management, Regional Housing Planning Study, Broadway Intermodal Corridor Management Study and Global Climate Change – Sea Level Rise.

## REVIEW OF COMPLIANCE REQUIREMENTS

Below is a discussion of HCAOG's compliance with sections of the Public Utilities Code (PUC) which relate to transit performance, as recommended in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*. Table 1 displays the results of the compliance analysis:

- 1) In accordance with PUC Section 99231, HCAOG accounts for its claimants' areas of apportionment and has not allowed those claimants to claim more than what is apportioned for their areas. HCAOG receives funds proportional to its population in Humboldt County. HCAOG uses a formula based on annual California Department of Finance population estimates to determine each local jurisdiction's apportionments. Each year, HCAOG adopts a resolution of the apportionments and the subsequent claims.
- 2) In reference to PUC Sections 99233 and 99234, the HCAOG sets aside 2 percent of the LTF for bicycle and pedestrian facilities. HCAOG maintains a reserve amount of \$500,000 in the bicycle and pedestrian fund and puts out a call for projects for any amount in excess of the reserve amount. However, entities may request allocation of some of the reserved LTF money for urgent regionally important bicycle and pedestrian projects. The HCAOG TDA Rules handbook outlines in detail policies and procedures for claiming LTF funds for the purpose of bicycle and pedestrian projects.
- 3) In accordance with PUC Sections 99238 and 99238.5, the HCAOG has established a SSTAC responsible for annual participation in the identification of transit needs in the jurisdiction, including unmet transit needs. The SSTAC meets four to six times a year and the public are always invited. The SSTAC advises HCAOG on transportation issues for seniors and people with disabilities, including the coordination and consolidation of specialized transportation services operating in western Humboldt County, and the identification of unmet transit needs. Additionally, the SSTAC reviews and provides feedback on transit planning documents, grant proposals and the OWP. The SSTAC conforms to the stakeholder categories pursuant to PUC Section 99238.
- 4) In accordance with PUC Section 99244, the HCAOG participates in a number of activities in order to review productivity improvements of the transit systems. HCAOG has commissioned several transit planning studies, including the Short Range Transit Development Plan for Humboldt County. One of HCAOG's standing committees is the Service Coordination Committee, which includes representatives from all transit operators in the region. During the audit period, the Committee reviewed transit operating statistics and on-going planning processes including performance standards. The HCAOG Board does not review transit operator statistics. The TDA performance audit sponsored by HCAOG provides a further opportunity to analyze transit productivity.

- 5) With respect to PUC Section 99245, HCAOG maintains records of all TDA claimants that submit an annual certified fiscal and compliance audit. This process includes copies of final audits being forwarded to HCAOG. The firm Anderson, Lucas, Somerville and Borges was retained to conduct the fiscal audits of the transit systems. Most of the annual fiscal audits prepared for each of the transit systems for the three-year period, were completed within the required time period. Exceptions were HTA and Arcata in FY 2018-19.

In FY 2018-19, extensions were requested for all transit operators. There is only one firm in the region who is able to prepare Fiscal and Compliance Audits. This makes it challenging to meet requirements of AB 1345 Auditor Rotation Requirements for Local Agencies. According to the revised statutes, local agencies must rotate auditors every six years. A waiver can be granted if the controller finds that there is no other public accounting firm available. HCAOG was granted a waiver to this requirement in FY 2018-19 but in the process the Fiscal and Compliance Audit process was delayed leading to the late completion of the HTA and Arcata Fiscal Audits.

- 6) In accordance with PUC Sections 99246 and 99248, the HCAOG has herein designated an independent entity to conduct a performance audit of operators and itself (for the current and previous TPA periods. Michael Baker International performed the performance audit for the prior three-year period.
- 7) In accordance with PUC Section 99246(c), the HCAOG has submitted a copy of its TPA to the director of the California Department of Transportation.
- 8) In accordance with PUC Section 99246(d), the performance audit of the transit operators (under separate cover) include, but is not limited to a verification of the operator's cost per passenger, operating cost per vehicle service hour, passengers per vehicle service mile, and vehicle service hours per employee, as defined in Section 99247. The performance audit includes, but is not limited to, consideration of the needs and types of passengers being served and the employment of part-time drivers and the contracting with common carriers of persons operating under a franchise or license to provide services during peak hours, as defined in subdivision (a) of Section 99260.2.
- 9) There are no urbanized areas in Humboldt County. Therefore, PUC 99270.1 does not apply.
- 10) Historically HCAOG has not set aside LTF money after allocations for TDA administration or for community transit services (Article 4.5). The CTSA (HTA demand response services) is funded primarily through State Transit Assistance (STA) funds. However, HCAOG has adopted criteria, rules, and regulations for the evaluation of claims filed under Article 4.5 of the TDA (as permitted under PUC Section 99275.5). This is clearly outlined in the HCAOG TDA Rules handbook.
- 11) In accordance with PUC Sections 99310.5 and 99313.3 and Proposition 116, State Transit Assistance (STA) funds received by the HCAOG are allocated only for transit planning, transit capital projects, and transit operations.
- 12) The amount of STA funds received by the HCAOG pursuant to the PUC Section 9314.3 is allocated to the transit operator in the area as allocated by the State Controller's Office. HCAOG allocates STA funds to transit operators for capital purposes and to the CTSA.

13) In accordance with PUC Section 99401.5, if TDA funds are allocated to purposes not directly related to public or specialized transportation services or facilities for exclusive use of pedestrians and bicycles, the HCAOG is annually required to:

- Consult with the SSTAC established pursuant to PUC Section 99238
- Identify transit needs, including:
  - Groups who are transit dependent or transit disadvantaged
  - Adequacy of existing transit services to meet the needs of groups identified
  - Analysis of potential alternatives to provide transportation services
- Adopt or reaffirm a definition of “unmet transit needs” and “reasonable to meet”
- Identify the unmet transit needs and those needs that are reasonable to meet
- Adopt a finding that there are no unmet transit needs, that there are no unmet needs that are reasonable to meet or that there are unmet transit needs including needs that are reasonable to meet

If a finding is adopted that there are unmet transit needs, these needs must have been funded before an allocation was made for streets and roads. During the audit period HCAOG consulted with the SSTAC and followed the proper unmet needs procedures. HCAOG has a good system in place for determining unmet transit needs reasonable to meet. HCAOG conducts surveys in areas where new or expanded services are proposed through the unmet needs process.

14) In accordance with California Code of Regulations Section 6662, the HCAOG has caused a Fiscal and Compliance audit of its accounts and records to be performed for each fiscal year by a certified public accountant. The audits were performed in accordance with the Basic Audit Program and Report Guidelines for the California Special Districts prescribed by the State Controller by Richardson & Company, LLP. The audits include a determination of compliance with the TDA and accompanying rules and regulations. Financial statements do not commingle the STA fund, the Local Transportation Fund or other revenues or funds of any city, county or other agency. The HCAOG maintains fiscal and accounting records and supporting papers for at least four years following the close of a fiscal year.

**TABLE 1: RTPA Compliance Requirements - Humboldt County Association of Governments**

Requirement	PUC Reference	In Compliance?		Comments
		Yes	No	
(1) All operators and city or county governments, in total, claim no more than those LTF monies apportioned to that area.	99231	X		
(2) The RTPA has adopted rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles.	99223, 99234	X		
(3) The RTPA has established a social services transportation advisory council. The RTPA must ensure that there is a citizen participation process that includes at least an annual public hearing.	99238, 99238.5	X		
(4) The RTPA has annually identified, analyzed and recommended potential productivity improvements which could lower operating cost of those operators.	99244	X		
(5) The RTPA has ensured that all claimants to whom it allocated TDA funds submit to it and to the state controller an annual certified fiscal and compliance audit within 180 days after the end of the fiscal year.	99245		X	HTA and Arcata in FY 2018-19
(6) The RTPA has designated an independent entity to conduct a performance audit of operators and itself. The operator audit included calculation of performance indicators and was transmitted within 12 months. If not transmitted, TDA funds were not allocated to the operator.	99246, 99248	X		
(7) The RTPA has submitted a copy of its performance audit to the Director of the California Department of Transportation.	99246 c	X		
(8) The performance audit of the operator includes verification of performance indicators and includes consideration of the needs and types of passengers being served, employment of part-time drivers and contracting with common carriers.	99246 d	X		
(9) The RTPA has established rules and regulations regarding revenue ratios for transportation operators providing services in urbanized and non-urbanized areas.	99270.1, 99270.2		NA	
(10) The RTPA has adopted criteria, rules, and regulations for the evaluation of claims filed under Article 4.5 of the TDA and the determination of the cost effectiveness of the proposed community transit services.	99275.5	X		
(11) State transit assistance funds received by the RTPA allocated only for transportation planning and mass transportation purposes?*	99310.5, 99313.3, Proposition 116	X		
(12) The amount received pursuant to the Public Utilities Code, Section 99314.3; by each RTPA for state transit assistance is allocated to the operators in the area of its jurisdiction as allocated by the State Controllers Office.	99314.3	X		
(13) If TDA funds are allocated for streets and road purposes, the RTPA has annually: Consulted with the SSTAC, identified transit needs, adopted or re-affirmed the definition of "unmet transit needs" and "reasonable to meet", identified the unmet needs or there are no unmet transit needs, or there are unmet transit needs that are reasonable to meet.	99401.5	X		
(14) The RTPA has caused a fiscal audit to be performed each year and submit the audit report to the state controller within 12 months of the end of the fiscal year.	6662	X		

**STATUS OF PRIOR AUDIT RECOMMENDATIONS**

The prior TPA was prepared by Michael Baker International and contained the following recommendations:

**Recommendation 1:** Update the HCAOG TDA Rules for inclusion of new state legislation.

**Status: Implementation In Progress.** In 2017, the TDA statutes were amended in an effort to provide better clarification on certain TDA rules and make regulations more consistent. Three of the categories

addressed in the TDA changes were farebox ratio, State Controller annual report deadlines and STA qualifying criteria for operating assistance. HCAOG has developed a TDA Manual which clearly outlines rules and regulations associated with qualifying for and claiming TDA funds. Draft changes have been made to the TDA manual to address changes to the TDA regulation resulting from SB 508. The Final TDA Manual will be prepared after the completion of this audit, in case there are recommendations to further modify the manual as a result of this audit.

The performance auditor found that the Draft TDA Manual correctly changed farebox ratio requirements for older operators (PUC 99268.2) but the section describing eligibility criteria for STA operating assistance does not reflect PUC 99314.6 as amended on July 21, 2017. Additionally, the TDA Manual should correct the deadline for submitting annual reports to the State Controller. A recommendation detailing these actions is included at the end of this report.

**Recommendation 2:** Formalize monitoring and evaluation procedures for new transit services implemented through the unmet transit needs process.

**Status: Implementation Complete** - Often, new or expanded services are implemented as a result of the unmet transit needs process. Although HCAOG carefully evaluates the feasibility of such services when determining if it is an unmet need reasonable to meet, the new service may not actually perform as expected when implemented. Therefore, the prior performance auditor recommended that new services be first introduced as “demonstration services”. For the first year or two of operation, the service should be closely monitored, and the operator should provide HCAOG with certain performance statistics such as farebox recovery, operating cost per trip, passengers per hour, etc. If the new service does not meet set performance measures, the demonstration service should be discontinued.

The prior auditor recommended that HCAOG develop a specific policy regarding demonstration services and performance criteria with which to evaluate these services. The most recent TDA Manual outlines this policy in Appendix B. The policy states that if the newly implemented service does not meet ridership or performance standards (10 percent farebox ratio) after two years, the service should be discontinued, unless another entity is willing to share in the cost of the service.

**Recommendation 3:** Highlight HCAOG accomplishments in publications such as the OWP and an annual report.

**Status: Implementation In-Progress-** At this time HCAOG has not begun preparing annual reports or noting prior accomplishments in the OWP. HCAOG has a vacant planner position available and hopes to begin recruitment this year. Having an additional staff member will free up time for staff to prepare an annual report.

## **DETAILED REVIEW OF HCAOG FUNCTIONS**

HCAOG staff has been successful in accomplishing objectives and implementing transportation improvement projects. During the audit period, the HCAOG Governing Board was composed of capable and knowledgeable officials, who met regularly, conducted themselves with efficiency and civility as they met in the HCAOG setting to determine transportation planning and funding policies.

This section presents a review of the various functions of the HCAOG. The HCAOG’s functions can be divided into the following areas:

- Administration and Management
- Transportation Planning and Regional Coordination
- Claimant Relationships and Oversight
- Marketing and Transportation Alternatives
- Grant Applications and Management

## **Administration and Management**

This functional review focuses on internal management of the organization.

### General Administration

The HCAOG Governing Board administers transportation policy in an effective and efficient manner. Board meetings occur regularly, and all required items are addressed. With the help of HCAOG staff, the Governing Board has access to sufficient information to make appropriate decisions. This statement was echoed in interviews with board and SSTAC members. HCAOG is also the coordinator for the Service Authority for Freeway Emergencies program. As such, HCAOG manages contracts with consultants and the CHP for maintain the Call Box system and supplemental patrols on Highway 36 and Highway 96.

### TDA Claim Processing

HCAOG processes TDA claims in accordance with its TDA Guidelines. HCAOG has developed a TDA claim form and process for transit, bicycle/pedestrian and streets and roads claims.

In the packet, each operator must submit:

- TDA claims checklist
- Annual project budget and financial plan
- Actual vs. budgeted expenditures since FY 2009-10 to present
- If operating budget increased by more than 15 percent from the prior year, a reason for the increase
- CHP certifications that the operator is in compliance with Section 1808.1 of the Vehicle Code
- A statement addressing applicable audit findings from annual fiscal and compliance audit.
- A statement addressing applicable audit findings from the previous performance audit.

LTF claims are brought before the board for each entity, separately. STA allocation requests are brought to the HCAOG Board for approval once a year. STA invoices are paid as they come in. HCAOG staff have indicated that there were no significant problems with respect to the transit operators and the TDA claims process. However, a review of claims for FY 2018-19 shows that not all the required elements

such as CHP certifications, were provided by the transit operators. There have also been issues with the Auditor's Office not releasing TDA funds to the operators on time. HCAOG is working with the Auditor's Office to ensure that staff are aware of the importance of the TDA funds.

In an effort to be fiscally conservative, HCAOG developed a contingency policy for STA funds. Roughly \$200,000 should be kept in the fund in case of unexpected funding shortfalls.

HCAOG has a systematic and effective method of archiving pertinent plans and documents. A large variety of old and current plans are available electronically through the HCAOG website. The annual OWPs set forth achievable goals and objectives for regional transportation planning in Humboldt County. Overall, HCAOG has a good working relationship with the transit operators in HCAOG's jurisdiction.

### Governing Board Activities

The HCAOG Board meets on the third Thursday of each month in Eureka. Agenda materials are posted on HCAOG's website at least 72 hours in advance. Attendance at monthly HCAOG meetings is good. The HCAOG Board dealt with a long list of key documents and funding decisions during the audit period, including all of those required or suggested by state law and good RTPA practices. HCAOG does an excellent job of posting important documents on its website for public review. Board meetings are televised.

HCAOG has several advisory committees, standing committees and ad hoc committees. The Policy Advisory Committee (PAC) meets during HCAOG board meetings and members include HCAOG members in addition to a representative from Caltrans and the HTA board. The Technical Advisory Committee (TAC) meets once a month, two weeks prior to the HCAOG Board. Members include staff representatives of the Cities, County, Caltrans, California Highway Patrol and six Native American Tribes. The job of the TAC is to provide assistance, advice and recommendations to the PAC to facilitate the comprehensive, coordinated transportation planning process. The TAC is an important part of the Regional Transportation Plan Update process.

The Social Services Transportation Advisory Council meets four or five times a year and provides recommendations regarding the Unmet Transit Needs process. In conjunction with the most recent TDP update in 2017, HCAOG commissioned the development of a SSTAC Strategic Plan. The purpose of this plan was to clarify the role of the SSTAC, review recent unmet transit needs findings, identify goals and objectives for the SSTAC, and provide a strategy to make the unmet transit needs process as clear and efficient as possible. The SSTAC acted as the advisory committee to the Transit Development Plan (TDP) update.

Other HCAOG committees include the Service Coordination Committee which focuses on public transit issues and other ad hoc committees for important regional transportation projects. In a rural region with multiple transit areas, the service coordination committee plays an important role for public transit. All transit operators including the Blue Lake Rancheria are members and discuss issues ranging from FTA grant funding levels to performance measures.



## Internal Planning and Achievements

In terms of internal planning, the HCAOG reflected very clear goals and objectives in the RTP. Its achievements in meeting OWP objectives during the audit period were good. The budget generally has been adequate for funding HCAOG's activities, although some of this revenue depends on successfully attaining discretionary state and federal grants. HCAOG was successful in obtaining Federal Transit Administration (FTA) grant funding for transit planning studies and Federal Highway Administration (FHA) funds for corridor studies.

## Personnel

The HCAOG Board and staff have multiple responsibilities. In addition to acting as the RTPA for Humboldt County, the Board is also the Service Authority for Freeway Emergencies (SAFE). In this capacity, HCAOG plans for and maintains 62 emergency call boxes on SR 299 and US 101 and contracts with CHP for supplemental patrols on SR 36 and 96.

Input from HCAOG board members and committee members indicate that staff are knowledgeable and efficient. Currently HCAOG is staffed by an Executive Director, Senior Planner, Fiscal Administrative Officer and Executive Assistant. During the audit period, the Associate Planner retired and was replaced; however, the new planner did not pass the probationary period. HCAOG intends to begin recruitment soon for a new Associate Planner. Typically, the Associate Planner handles transit related matters while the Senior Planner tackles more complicated issues. Going forward, HCAOG staff will review local jurisdiction housing elements. Some stakeholders have indicated that HCAOG seems understaffed. Therefore, it is important for HCAOG to find a new Associate Planner.

The HCAOG OWP includes a Training Element which budgets for two weeks of training for staff members such as conferences or Caltrans workshops. Staff members are offered insurance (life, health, and dental), vacation, sick leave and retirement benefits. Job performance evaluations have not been performed on a consistent annual basis.

## **Transportation Planning and Regional Coordination**

This functional area covers one of the two major RTPA responsibilities: transportation planning in a regional context and fiscal management.

HCAOG most recently updated the *Humboldt County Regional Transportation Plan (RTP) Variety in Rural Options of Mobility (VROOM)* in 2017. The plan provides a good vision for transportation improvement projects through 2037 and was updated within the required timeline. An appropriate level of stakeholder input was obtained as part of the update. Public input efforts were combined with other related transportation outreach such as the update of the regional bicycle plan and Transit Development Plan so as to maximize input.

The RTP sets forth clear goals and cost estimates for transportation in the region for a 20 year horizon. The document includes all required elements and addresses all transportation modes available in Humboldt County. The RTP identifies transportation needs for each mode and outlines well-organized RTP improvement project lists to meet those needs. The document also contains a good discussion of performance measures, as required in the guidelines.

The most recent RTP update embraced the spirit of the latest RTP Guidelines by focusing on elements of regional transportation planning which will help the region meet statewide climate change goals such as complete streets and discussions of global climate issues.

HCAOG is involved in regional planning at a larger scale. HCAOG is a member of the Rural Counties Task Force and North State Super Region and consults with the North Coast Tribal Transportation Commission.

### **Information Collection**

In 2009, HCAOG obtained a grant to develop a travel demand model for Humboldt County. The model is maintained by Caltrans as HCAOG does not own the software required to use it. The County has versions of the model.

HCAOG has a good relationship with local jurisdictions. Going forward, HCAOG will work with local agencies on housing issues.

### **Claimant Relationships and Oversight**

#### **Productivity Committee Functions**

The HCAOG does not have a formal productivity committee to review services and recommend improvements for lower transit costs. However, the Service Coordination Committee, composed of representatives from each transit operator, City Ambulance of Eureka, the two colleges and HCAOG staff, meets every two months. The committee discusses current transit planning efforts and recent accomplishments. Meetings are open to the public. HCAOG also conducts a thorough unmet transit needs process and regularly addresses comments and concerns related to transit. Transit operator statistics are not reported to the board; however, they are reported at Service Coordination Committee meetings.

#### **Technical and Managerial Assistance to Operators/ Communication of TDA**

HCAOG and HTA appear to have a good working relationship. HCAOG provides assistance to transit operators when needed or requested. During the audit period, HCAOG commissioned an update of the Humboldt County Transit Development Plan for the transit operators. HCAOG has also been supportive of planning efforts for the Blue Lake Rancheria and the City of McKinleyville. Farebox ratio requirements and the TDA claims process are clearly outlined in resolutions and manuals.

#### **Reports and Information Received by the RTPA**

HCAOG has conducted triennial performance audits within the required time period. During the audit period, the HCAOG commissioned Fiscal and Compliance audits from an independent auditor for the HCAOG and the transit operators. There is only one local firm qualified and willing to conduct the fiscal audits. In order to comply with AB 1345 and rotate auditors after six years, HCAOG would end of paying nearly twice as much as what the local auditor charges. HCAOG was granted a waiver to AB 1345 in FY 2018-19 but the process caused a delay in the FY 2018-19 audit procurement. As such, in FY 2018-19 HCAOG requested a 90 day extension for all the transit operator fiscal audits. This performance audit period all Fiscal and Compliance Audits were completed within the required time period with the

exception of the HTA and Arcata audits in FY 2018-19. Additionally, the Fiscal and Compliance audits of the transit operator attest that TDA funds were expended in conformance with most applicable laws, rules, and regulations.

### **Marketing and Transportation Alternatives**

This function involves the outreach activities of an RTPA. In general, the transit operators provide their own marketing materials and HCAOG is available to assist with distribution. HCAOG staff remains closely involved with public transit through the Service Coordination Committee.

In 2018, HCAOG funded a Regional Transit Marketing and Unified Branding Plan. The report offered marketing tactics to be conducted in conjunction with each Transit Development Plan element as well as general marketing tactics such as participation in community events, social media and local advertising. The final chapter of the report addressed the concept of a unified brand and website for all transit operators. This could reduce confusion and expand awareness of all public transit services available in the region. A regional brand was chosen but not all the operators wish to move the process forward.

HCAOG has been proactive in promoting the use of alternative transportation. Examples include a project to create a multi-modal corridor through the Broadway – US 101 corridor in Eureka and establishing a fund for the Humboldt Bay Trail. HCAOG maintains an excellent website with an extensive library of transportation related plans and documents available.

### **Grant Applications and Management**

This section considers HCAOG's performance in discharging its grant management duties. Grant applications and management duties lie mostly in the hands of the transit operators. HCAOG staff may provide some assistance with FTA 5310 (Enhanced Mobility of Seniors and People with Disabilities) grant development.

During the audit period, no state or federal grant applications have been denied in Humboldt County due to errors or omissions. HCAOG staff continues to be active in statewide RTPA and Caltrans advisory groups during the audit period and creatively attempted to seek out and attain new revenue sources.

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Overall, HCAOG is a strong organization that effectively coordinates transportation policy for the portion of the Humboldt County. With respect to TDA issues, HCAOG has developed an appropriate TDA allocation process to transit operators within its jurisdiction. The following presents the auditors findings, including any issues of non-compliance with TDA, along with recommendations to improve compliance and overall effectiveness.

## **FINDINGS**

Findings of this Triennial Performance Audit are as follows:

- HCAOG was found to be in compliance with all performance related statutes listed in Table 1 with the exception of the delay in the FY 2018-19 Fiscal and Compliance Audit for HTA and Arcata.
- All recommendations from the prior audit were implemented or are in progress.
- The functional review revealed no significant inefficiencies in the way HCAOG performs its duties.
- HCAOG performs the unmet transit needs process in accordance with TDA requirements.
- HCAOG provides a good amount oversight and planning assistance for the transit operators in the region without overstepping the bounds of the role of an RTPA.
- Although all required responsibilities are met, HCAOG and the transit operators appear to be short-staffed.

## **RECOMMENDATIONS**

**Recommendation 1:** *Request that the transit operators provide operating data to the HCAOG Board on an annual basis.*

Although HCAOG staff views operating data from the various transit operators through Service Coordination Committee meetings, the HCAOG Board is not provided this information on a regular basis. Having a good overview of operating data will make the board more aware of trends in ridership and provide them with a better basis to make decisions with respect to public transit funding. These performance indicators should be reported to HCAOG at the end of the fiscal year and at the route level.

**Recommendation 2:** *For TDA compliance purposes, HCAOG should work with the Fiscal and Compliance Auditor to calculate one farebox ratio for all HTA services (Redwood Transit System (RTS), Southern Humboldt Intercity (SHI), DAR, Eureka Transit System (ETS) and Willow Creek).*

Prior to enactment of SB 508, older transit operators were required to maintain the same farebox ratio they had in 1978 if that was higher than the applicable rural or urban standard requirement. As such, Eureka Transit System and Redwood Transit System were subject to 18.8 percent and 26.4 percent farebox ratios, respectively. Per current law, all transit operators in Humboldt County are required to maintain a 10 percent farebox ratio. Additionally, over the years, public transit in Humboldt County has become more consolidated. Both management and operation of Eureka Transit System is now conducted by HTA. Realistically, Redwood Transit System and Southern Humboldt Intercity operate as different service elements of HTA, rather than separate transit systems. In a rural county where there are few entities capable of providing transportation services, it makes sense to have a long-term goal of further consolidating public transit services. Creating one farebox ratio requirement for all services operated by HTA is one step toward this goal, as well as standard practice.

Calculating separate farebox ratios for each HTA route should remain an important performance measure to judge the effectiveness of the various routes and can be conducted by HTA for monthly or annual reports. However, when determining compliance with TDA PUC code 99268.1, 99268.2 and 99268.3, farebox ratio should be calculated on a systemwide level for HTA.

**Recommendation 3:** *HCAOG should amend the TDA manual to reflect recent changes to the TDA law. Specifically: 1) eligibility criteria for STA operating assistance as amended (PUC 99314.6) and 2) Deadline for the annual operations report to the State Controller's Office.*

With respect to eligibility criteria for STA operating assistance, revised PUC 99314.6 is listed below for reference. The primary change is that there is additional leeway for operators to claim a portion of STA for operating assistance even if the transit operator's increase in operating cost per revenue vehicle hour over a one year or three year period is greater than the increase in the Consumer Price Index (CPI) for the same period.

*Except as provided in Section 99314.7, the following eligibility standards apply:*

*(1) Except as provided in paragraph (3), funds shall be allocated for operating or capital purposes pursuant to Sections 99313 and 99314 to an operator if the operator meets either of the following efficiency standards:*

*(A) The operator shall receive its entire allocation, and any or all of this allocation may be used for operating purposes, if the operator's total operating cost per revenue vehicle hour in the latest year for which audited data are available does not exceed the sum of the preceding year's total operating cost per revenue vehicle hour and an amount equal to the product of the percentage change in the Consumer Price Index for the same period multiplied by the preceding year's total operating cost per revenue vehicle hour.*

*(B) The operator shall receive its entire allocation, and any or all of this allocation may be used for operating purposes, if the operator's average total operating cost per revenue vehicle hour in the latest three years for which audited data are available does not exceed the sum of the average of the total operating cost per revenue vehicle hour in the three years preceding the latest year for which audited data are available and an amount equal to the product of the average percentage change in the Consumer Price Index for the same period multiplied by the average total operating cost per revenue vehicle hour in the same three years.*

*(2) If an operator does not meet either efficiency standard under paragraph (1), the operator shall receive its entire allocation and the funds shall be allocated pursuant to this paragraph. The portion of the allocation that the operator may use for operations shall be the total allocation to the operator reduced by the lowest percentage by which the operator's total operating cost per revenue vehicle hour for the applicable year or three-year period calculated pursuant to subparagraph (A) or (B) of paragraph (1) exceeded the target amount necessary to meet the applicable efficiency standard. The remaining portion of the operator's allocation shall be used only for capital purposes.*

*(3) The transportation planning agency or county transportation commission, or the San Diego Metropolitan Transit Development Board, as the case may be, shall adjust the calculation of operating costs and revenue vehicle hours pursuant to paragraph (1) to account for either or both of the following factors:*

*(A) Exclusion of cost increases beyond the change in the Consumer Price Index for fuel; alternative fuel programs; power, including electricity; insurance premiums and payments in settlement of claims*

*arising out of the operator's liability; or state or federal mandates, including the additional operating costs required to provide comparable complementary paratransit service as required by Section 37.121*

*of Title 49 of the Code of Federal Regulations, pursuant to the federal Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12101 et seq.), as identified in the operator's paratransit plan pursuant to Section 37.139 of Title 49 of the Code of Federal Regulations.*

*(B) Exclusion of startup costs for new services for a period of not more than two years.*

*(b) As used in this section, the following terms have the following meanings:*

*(1) "Operating cost" means the total operating cost as reported by the operator under the uniform system of accounts and records, pursuant to Section 99243 and subdivision (a) of Section 99247.*

*(2) "Revenue vehicle hours" has the same meaning as "vehicle service hours," as defined in subdivision (h) of Section 99247.*

*(3) "Consumer Price Index," as applied to an operator, is the regional Consumer Price Index for that operator's region, as published by the United States Bureau of Labor Statistics. If a regional index is not published, the index for the State of California applies.*

PUC 99243(a) extended the deadline for submitting State Controller Reports to the end of January following the end of the fiscal year. This allows transit operators to provide more accurate audited financial data in the annual reports. The statute is presented below for reference.

*(a) The Controller, in cooperation with the department and the operators, shall design and adopt a uniform system of accounts and records, from which the operators shall prepare and submit annual reports of their operation to the transportation planning agencies, county transportation commissions, or the San Diego Metropolitan Transit Development Board having jurisdiction over them and to the Controller within seven months after the end of the fiscal year. If the report is filed in electronic format as prescribed by the Controller, the report shall be furnished within 110 days after the close of each fiscal year. The report shall contain underlying data from audited financial statements prepared in accordance with generally accepted accounting principles, if this data is available. The report shall specify (1) the amount of revenue generated from each source and its application for the prior fiscal year and (2) the data necessary to determine which section, with respect to Sections 99268.1, 99268.2, 99268.3, 99268.4, 99268.5, and 99268.9, the operator is required to be in compliance in order to be eligible for funds under this article.*

**Recommendation 4:** Continue with the recruitment process for a new Associate Planner at HCAOG.

On-site interviews with HCAOG and the transit operators indicated that HCAOG is currently understaffed. Additionally, HTA cites a need for a dedicated transit planner. Having an additional planner at the regional level would be an efficient use of resources as the HCAOG planner could assist all operators with regional transit matters such as grant writing or TDA claims processing as well as alleviate busy HCAOG staff. Having an Associate Planner who is primarily responsible for transit matters will also improve communication between the RTPA and the transit operators. This could help to alleviate any confusion during the transit claims and allocation process with respect to which forms should be provided. Therefore, it is important for HCAOG to continue with the recruitment process for a new Associate Planner in June as planned.

**Recommendation 5:** *Conduct annual performance evaluations of HCAOG staff members.*

Regular employee evaluation helps remind workers what is expected of them in the workplace. It provides employers with information to use when making employment decisions, such as promotions, pay raises and termination. It also provides employees with the opportunity to provide input and to develop a program for improvement. Therefore, the HCAOG Executive Director should conduct annual performance evaluations of staff.