



FINAL REPORT
APRIL 2019

City of California City

Triennial Performance Audit FY 15/16 - 17/18



Kern Council of Governments

**Triennial Performance Audit,
FY 2015/16 – FY 2017/18**

City of California City

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Chapter 1

Executive Summary

In 2018, the Kern Council of Governments (Kern COG) selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the twelve transit operators to which it allocates TDA funding. Moore & Associates is a consulting firm specializing in public transportation. Selection of the consultant followed a competitive procurement process.

The California Public Utilities Code requires all recipients of Transit Development Act (TDA) Article 4 funding to complete an independent audit on a three-year cycle in order to maintain TDA funding eligibility. Audits of Article 8 recipients are encouraged.

The Triennial Performance Audit is designed to be an independent and objective evaluation of the City of California City as a public transit operator, providing operator management with information on the economy, efficiency, and effectiveness of its programs across the prior three fiscal years. In addition to assuring legislative and governing bodies (as well as the public) that resources are being economically and efficiently utilized, the Triennial Performance Audit fulfills the requirement of PUC Section 99246(a) that the RTPA designate an entity other than itself to conduct a performance audit of the activities of each operator to whom it allocates TDA funds.

This chapter summarizes key findings and recommendations developed during the Triennial Performance Audit (TPA) of the City of California City's public transit program for the period Fiscal Year 2015/16 through Fiscal Year 2017/18.

The City of California City's public transit service, marketed as California City Dial-A-Ride, is a curb-to-curb, general public demand-response service that operates Monday through Friday from 8:30 a.m. to 4:30 p.m. within city limits, and from 9:00 a.m. to 2:30 p.m. in Rancho Estates and Wonder Acres. The service does not operate on weekends or stipulated holidays.

Trips are provided on a first-come, first-served basis. Requests for service must be made on the same day before 3:45 p.m. and one hour in advance for appointments. Connections are available to the wider Kern Transit system, including inter-city service to Lancaster and Ridgecrest/Mojave on Kern Transit Routes 230 and 250.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require the audit team plans and performs the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. Moore & Associates believes the evidence obtained provides a reasonable basis for our findings and conclusions.

This audit was also conducted in accordance with the processes established by the California Department of Transportation (Caltrans), as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*.

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The Triennial Performance Audit includes five elements:

- Compliance requirements,
- Follow-up of prior report recommendations,
- Analysis of program data reporting,
- Performance Audit, and
- Functional review.

Test of Compliance

With three exceptions, the City of California City met the test of compliance with respect to all Transportation Development Act (TDA) regulations:

1. The City did not meet the 10 percent farebox recovery ratio required by the TDA for non-urbanized operators.
2. The City does not employ the TDA definition of full-time equivalent (FTE) employee.
3. The City did not provide evidence that it submitted its Transit Operator Financial Transaction Report to the State Controller on time.

Status of Prior Recommendations

1. Ensure that the FTE data reported to the State Controller is reflective of the TDA definition and the City's current calculation methodology.

Status: Not implemented.

2. Continue implementation of the recommendations arising from the City's 2012 Transit Development Plan.

Status: Not implemented.

Findings and Recommendations

Based on discussions with City staff, analysis of program performance, and an audit of program compliance and function, the audit team presents three compliance findings:

1. The City did not meet the 10 percent farebox recovery ratio required by the TDA for non-urbanized operators.
2. The City does not employ the TDA definition of full-time equivalent (FTE) employee.
3. The City did not provide evidence that it submitted its Transit Operator Financial Transaction Report to the State Controller on time.

Moore & Associates has identified one functional finding. While this finding does not affect TDA compliance, we believe it warrants inclusion within this audit:

1. The City has not made progress regarding implementation of the recommendations presented within its 2012 Transit Development Plan.

Exhibit 8.1 Summary of Audit Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Implement strategies to improve the farebox recovery ratio so that it meets or exceeds the 10 percent threshold.	High	FY 2019/20
2	Utilize the TDA definition in calculating and reporting Full-Time Equivalent (FTE) employees to the State Controller.	High	FY 2018/19
3	Ensure the City submits its State Controller Reports on time.	High	FY 2018/19
Functional Recommendations		Importance	Timeline
1	Reassess recommendations made in the 2012 TDP to determine if they remain relevant, and begin implementation of those that remain relevant.	Medium	FY 2020/21



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Chapter 2

Review Scope and Methodology

The Triennial Performance Audit (TPA) of the City of California City's public transit program covers the three-year period ending June 30, 2018. The California Public Utilities Code requires all recipients of Transit Development Act (TDA) funding to complete an independent review on a three-year cycle in order to maintain TDA funding eligibility.

In 2018, the Kern Council of Governments selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the twelve transit operators to which it allocates TDA funding. Moore & Associates is a consulting firm specializing in public transportation. Selection of the consultant followed a competitive procurement process.

The Triennial Performance Audit is designed to be an independent and objective evaluation of the City of California City as a public transit operator. Direct benefits of a Triennial Performance Audit include providing operator management with information on the economy, efficiency, and effectiveness of its programs across the prior three years; helpful insight for use in future planning; and assuring legislative and governing bodies (as well as the public) that resources are being economically and efficiently utilized. Finally, the Triennial Performance Audit fulfills the requirement of PUC Section 99246(a) that the RTPA designate an entity other than itself to conduct a performance audit of the activities of each transit operator to which it allocates TDA funds.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require the audit team plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. Moore & Associates believes the evidence obtained provides a reasonable basis for our findings and conclusions.

The audit was also conducted in accordance with the processes established by the California Department of Transportation (Caltrans), as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, as well as *Government Audit Standards* published by the U.S. Comptroller General.

Objectives

A Triennial Performance Audit has five primary objectives:

1. Assess compliance with TDA regulations;
2. Review improvements subsequently implemented as well as progress toward adopted goals;
3. Review the accuracy of data reporting;
4. Evaluate the efficiency and effectiveness of the transit operator; and
5. Provide sound, constructive recommendations for improving the efficiency and functionality of the transit operator.



Scope

The TPA is a systematic review of performance evaluating the efficiency, economy, and effectiveness of the transit operator. The audit of the City of California City included five tasks:

1. A review of compliance with TDA requirements and regulations.
2. An assessment of the implementation of recommendations contained in prior performance audits.
3. A verification of the methodology for calculating performance indicators including the following activities:
 - Assessment of internal controls,
 - Test of data collection methods,
 - Calculation of performance indicators, and
 - Evaluation of performance.
4. Examination of the following functions:
 - General management and organization;
 - Service planning;
 - Scheduling, dispatching, and operations;
 - Personnel management and training;
 - Administration;
 - Marketing and public information; and
 - Fleet maintenance.
5. Conclusions and recommendations to address opportunities for improvement based upon analysis of the information collected and the audit of the transit operator's major functions.

Methodology

The methodology for the Triennial Performance Audit of the City of California City included thorough review of documents relevant to the scope of the audit, as well as information contained on the City's website. The documents reviewed included the following (spanning the full three-year period):

- Triennial Performance Audit report for the prior audit period;
- Monthly performance reports;
- State Controller Reports;
- NTD reports;
- Annual budgets;
- TDA fiscal audits;
- Transit marketing collateral;
- Fleet inventory;
- Preventive maintenance schedules and forms;
- Accident/road call logs;
- Customer complaint logs;
- Short Range Transit Plan; and
- Organizational chart.



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The methodology for this review included a site visit to California City city hall (21000 Hacienda Blvd, California City) on October 18, 2018. The site visit included interviews with Craig Platt (Public Works Director) and Socorro Chavez (Administrative Analyst).

This report is comprised of eight chapters divided into three sections:

1. Executive Summary: A summary of the key findings and recommendations developed during the Triennial Performance Audit process.
2. TPA Scope and Methodology: Methodology of the review and pertinent background information.
3. TPA Results: In-depth discussion of findings surrounding each of the subsequent elements of the audit:
 - Compliance with statutory and regulatory requirements,
 - Progress in implementing prior recommendations,
 - Data analysis,
 - Performance measures and trends,
 - Functional audit, and
 - Findings and recommendations.



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Chapter 3

Program Compliance

This section examines the City of California City's compliance with the Transportation Development Act as well as relevant sections of the California Code of Regulations. An annual certified fiscal audit confirms TDA funds were apportioned in conformance with applicable laws, rules, and regulations. The Kern Council of Governments considers full use of funds under California Code of Regulations (CCR) 6754(a) as referring to operating funds but not capital funds. The TPA findings and related comments are delineated in Exhibit 3.1.

Compliance was determined through discussions with City of California City staff as well as a physical inspection of relevant documents including the fiscal audits for each year of the triennium, TDA claim forms, State Controller annual filings, California Highway Patrol terminal inspections, year-end performance reports, and other compliance-related documentation.

With three exceptions, the City of California City met the test of compliance with respect to all Transportation Development Act (TDA) regulations:

1. The City did not meet the 10 percent farebox recovery ratio required by the TDA for non-urbanized operators.
2. The City does not employ the TDA definition of full-time equivalent (FTE) employee.
3. The City did not provide evidence that it submitted its Transit Operator Financial Transaction Report to the State Controller on time.

Recent Changes Regarding Compliance

Two changes specific to the TDA and TDA funding went into effect beginning July 1, 2016. The first change was an amendment to the Public Utilities Code specific to the definition of operating cost and what costs can be excluded. It should be noted that many of the exclusions pertain only to *changes* in certain costs, either over the prior year or beyond the change in the Consumer Price Index. They do not apply to *all* costs related to specified exclusion categories.

Senate Bill 508, dated October 9, 2015, amended Section 99268.17 to read as follows:

99268.17 (a) *Notwithstanding subdivision (a) of Section 99247, the following costs shall be excluded from the definition of "operating cost" for the purposes of calculating any required ratios of fare revenues to operating cost specified in this article:*

- (1) *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. 120101 et seq.), as identified in the operator's paratransit plan pursuant to Section 37.139 of Title 49 of the Code of Federal Regulations that exceed the operator's costs required to provide comparable paratransit service in the prior year as adjusted by the Consumer Price Index.*

(2) Cost increases beyond the change in the Consumer Price Index for all of the following:

- (A) Fuel.*
- (B) Alternative fuel programs.*
- (C) Power, including electricity.*
- (D) Insurance premiums and payments in settlement of claims arising out of the operator's liability.*
- (E) State and federal mandates.*

(3) Startup costs for new services for a period of not more than two years.

(b) The exclusion of costs from the definition of operating costs in subdivision (a) applies solely for the purpose of this article and does not authorize an operator to report an operating cost other than as defined in subdivision (a) of Section 99247 or a ratio of fare revenue to operating cost other than as that ratio is described elsewhere in this article, to any of the following entities:

- (1) The Controller pursuant to Section 99243.*
- (2) The entity conducting the fiscal audit pursuant to Section 99245.*
- (3) The entity conducting the performance audit pursuant to Section 99246.*

The second change, also contained within Senate Bill 508, related to the type of funds that can be used to supplement farebox revenue. Prior to this bill, "local funds" was defined as "revenues derived from taxes imposed by the operator or by a county transportation commission." Senate Bill 508 amended Section 99268.19 to read:

99268.19 *If fare revenues are insufficient to meet the applicable ratio of fare revenues to operating cost required by this article, an operator may satisfy that requirement by supplementing its fare revenues with local funds. As used in this section, "local funds" means any non-federal or non-state grant funds or other revenues generated by, earned by, or distributed to an operator.*

This expanded definition opens up new revenue sources that can be used to offset farebox shortfalls. Applicable revenues include funds received through advertising, interest income, sale of surplus vehicles, and other such sources. While these funds are no longer limited to those generated by local taxes, they cannot be state or federal funds.

Another change affected the submittal deadline for the State Controller's Transit Operators Financial Transaction Report. Beginning with Fiscal Year 2016/17, the submittal deadline was changed from 110 days following the end of the fiscal year (typically October 18-20) to seven months following the end of the fiscal year (January 31). The original submittal deadline was in force during reporting for FY 2015/16, while the new deadline was utilized for FY 2016/17 forward.



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Exhibit 3.1 Transit Development Act Compliance Requirements

Compliance Element	Reference	Compliance	Comments
State Controller Reports submitted on time.	PUC 99243	Finding	FY 2015/16: October 18, 2016 FY 2016/17: January 30, 2018 FY 2017/18: Not provided
Fiscal and compliance audits submitted within 180 days following the end of the fiscal year (or with up to 90-day extension).	PUC 99245	Not in compliance*	FY 2015/16: October 3, 2017 FY 2016/17: March 26, 2018 FY 2017/18: Not completed
Operator's terminal rated as satisfactory by CHP within the 13 months prior to each TDA claim.	PUC 99251 B	In compliance	July 2, 2015 March 21, 2016 March 15, 2017 April 19, 2018
Operator's claim for TDA funds submitted in compliance with rules and regulations adopted by the RTPA.	PUC 99261	In compliance	
If 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.	PUC 99270.1	Not applicable	
An operator receiving allocations under Article 8(c) may be subject to regional, countywide, or subarea performance criteria, local match requirements, or fare recovery ratios adopted by resolution of the RTPA.	PUC 99405	Not applicable	
The operator's operating budget has not increased by more than 15% over the preceding year, nor is there a substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities unless the operator has reasonably supported and substantiated the change(s).	PUC 99266	In compliance	FY 2015/16: +4.82% FY 2016/17: +1.78% FY 2017/18: +26.49% (due to increase in PERS contribution) <i>Source: City budgets, FY2016 – FY 2018.</i>
The operator's definitions of performance measures are consistent with the Public Utilities Code Section 99247.	PUC 99247	Finding	The City appears to use a person-count in reporting FTE.

**While the City was not in compliance with this requirement, it is not identified as a finding given the contract for TDA fiscal audits is through Kern COG and the City has little, if any, control over the project schedule.*

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Compliance Element	Reference	Compliance	Comments
If the operator serves an urbanized area, it has maintained a ratio of fare revenues to operating cost at least equal to one-fifth (20 percent).	PUC 99268.2, 99268.4, 99268.1	Not applicable	
If the operator serves a rural area, it has maintained a ratio of fare revenues to operating cost at least equal to one-tenth (10 percent).	PUC 99268.2, 99268.4, 99268.5	Finding	FY 2015/16: 7.53% FY 2016/17: 8.17% FY 2017/18: 8.00% <i>Source: TDA Fiscal Audits FY 2016–FY 2017; NTD report FY 2018.</i>
For a claimant that provides only services to elderly and handicapped persons, the ratio of fare revenues to operating cost shall be at least 10 percent.	PUC 99268.5, CCR 6633.5	Not applicable	
The current cost of the operator’s retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing a plan approved by the RTPA, which will fully fund the retirement system for 40 years.	PUC 99271	In compliance	City staff are eligible for retirement benefits under CalPERS.
If the operator receives State Transit Assistance funds, the operator makes full use of funds available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted.	CCR 6754 (a) (3)	In compliance	As a recipient of State Transit Assistance Funds, the City is making full use of federal funds available under the Urban Mass Transportation Act of 1964 as amended. FY 2016: \$43,390 (Operating) FY 2017: \$43,513 (Operating) FY 2018: \$44,507 (Operating) <i>Source: National Transit Database.</i>
In order to use State Transit Assistance funds for operating assistance, the operator’s total operating cost per revenue hour does not exceed the sum of the preceding year’s total plus an amount equal to the product of the percentage change in the CPI for the same period multiplied by the preceding year’s total operating cost per revenue hour. An operator may qualify based on the preceding year’s operating cost per revenue hour or the average of the three prior years. If an operator does not meet these qualifying tests, the operator may only use STA funds for capital purposes.	PUC 99314.6	Potentially not in compliance [^]	During the audit period, the City may not have been eligible to use STA funding for operating assistance each year. However, the City is not required to demonstrate eligibility as part of its TDA claim.

[^]Typically, the RTPA determines whether an operator is eligible to use STA funds for operating assistance. As the RTPA does not currently calculate this as part of its TDA claims process, the City may not be aware of its status.



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Compliance Element	Reference	Compliance	Comments
A transit claimant is precluded from receiving monies from the Local Transportation Fund and the State Transit Assistance Fund in an amount which exceeds the claimant's capital and operating costs less the actual amount of fares received, the amount of local support required to meet the fare ratio, the amount of federal operating assistance, and the amount received during the year from a city or county to which the operator has provided services beyond its boundaries.	CCR 6634	In compliance	



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Chapter 4

Prior Recommendations

This section reviews and evaluates the implementation of prior Triennial Performance Audit recommendations. This objective assessment provides assurance the City of California City has made quantifiable progress toward improving both the efficiency and effectiveness of its public transit program.

The prior audit – completed in March 2016 by Moore & Associates, Inc. for the three fiscal years ending June 30, 2015 – included two recommendations:

1. Ensure that the FTE data reported to the State Controller is reflective of the TDA definition and the City's current calculation methodology.

Discussion: The Transit Operators Financial Transaction Report Instructions published by the State Controller state the following with respect to the reporting of Total Employees – Public and Contract:

Report the number of employee equivalents. Public Utilities Code section 99247(j) defines "Vehicle service hours per employee" as the vehicle service hours divided by the number of employees employed in connection with the public transportation system. Use the assumption that 2,000 person-hours of work in one year constitutes one employee. The number of employees shall also include those individuals employed by the operator which provide services to the agency of the operator responsible for the operation of the public transportation system even though not employed in that agency.¹

During the prior performance audit, the audit team recommended that the city determine the annual personnel hours spent on transit by administrative, operations and maintenance employees and then divide the total by 2,000 annual hours to arrive at the correct FTE figure. This figure should then be reported in the supplemental data section of the State Controller Report. However, while these calculations were done correctly, FTE was reported incorrectly on the subsequent State Controller Reports.

Prior auditors recommended the calculation methodology demonstrated during the prior audit be used to complete the State Controller Reports. Ensuring that all transit staff hours (including mechanics and administrative staff) are included in the FTE calculation.

Progress: The City appears to be reporting a person-count on its State Controller Report.

Status: Not implemented.

¹ Transit Operators Financial Transactions Report Instructions, California State Controller's Office, page 22.

2. Continue implementation of the recommendations arising from the City's 2012 Transit Development Plan.

Discussion: Service Planning is a functional area reviewed as part of the Triennial Performance Audit. The City's primary transit planning document is the Transit Development Plan, the most recent of which was finalized in 2012.

The 2012 TDP included a marketing plan which discussed a variety of methods and recommendations to raise the profile of the City's transit service, including the development and distribution of a brochure, updates to the City's website with links to other transit providers, and a travel training program. With a TDP recommendation for the City to potentially implement fixed-route service, the prior auditors considered it imperative that a multi-year plan be developed and implemented in order to generate a sufficient ridership base to support the new service.

The audit team recommended implementation of the TDP goals after a period of study to determine the appropriate course of action, timing, and how performance of the new services would be monitored. New services, possible fare adjustments, and marketing efforts, if deemed appropriate, were to be implemented in tandem so that the residents would be aware of the reason for the change and the benefits received from the transit system.

The prior auditors recommended the City move forward with a marketing plan designed to raise the profile of the City's transit program regardless of whether the City decided to move forward with other recommendations. The audit also recommended the City should determine whether additional recommendations contained within the 2012 TDP remained feasible.

Progress: The City has not made further progress toward the implementation of its TDP recommendations.

Status: Not implemented.



Data Reporting Analysis

An important aspect of the Triennial Performance Audit process is assessing how effectively and consistently the transit operator reports performance statistics to local, state, and federal agencies. Often as a condition of receipt of funding, an operator must collect, manage, and report data to different entities. Ensuring such data are consistent can be challenging given the differing definitions employed by different agencies as well as the varying reporting timeframes. This chapter examines the consistency of performance data reported by the City of California City to the State Controller and Federal Transit Administration specific to the audit period. Submissions to these entities were included within the State Controller's Transit Operators Financial Transactions Report (TOR) and the National Transit Database (NTD) report, respectively.

Exhibit 5.1 provides a comparison between performance data reported within the TOR and NTD reports for the current audit period (ending FY 2015/16 through FY 2017/18) and the data reported via monthly performance reports and TDA fiscal audits. The majority of data was reported consistently. However, there were some significant issues with operating cost.

- **Operating Cost:** In FY 2015/16, three different operating costs were reported in three different reports, with a variance of 23.9 percent between the least and greatest amounts. The greatest amount was reported in the TDA fiscal audit, which was also used to calculate compliance with the farebox recovery ratio requirement. Using this figure, the farebox recovery ratio was found to be 7.53 percent. However, using the figure cited in the State Controller Report, it was 8.93 percent. It is unclear what costs may have been omitted in reports to the NTD and the State Controller. In FY 2016/17, the TDA fiscal audit and TOR are consistent with one another, though the cost reported to the NTD was approximately half of that amount. Again, the reason for this discrepancy is unclear.
- **Full-time Equivalent Employees:** The City did not provide sufficient information for the audit team to determine how it was calculating FTE, only how it was calculating employee hours for the full-time drivers. FTE calculated using only those hours resulted in fewer FTE than was reported to the State Controller.



Exhibit 5.1 Data Reporting Consistency

Performance Measure	System-Wide		
	FY 2015/16	FY 2016/17	FY 2017/18
Operating Cost (Actual \$)			
<i>TDA Fiscal Audit</i>	\$305,368	\$279,079	Not provided
<i>National Transit Database</i>	\$246,445	\$141,477	\$274,826
<i>State Controller Report</i>	\$257,549	\$279,078	Not provided
Fare Revenue (Actual \$)			
<i>TDA Fiscal Audit</i>	\$23,003	\$22,791	Not provided
<i>National Transit Database</i>	\$23,003	\$22,791	\$21,878
<i>State Controller Report</i>	\$23,003	\$22,791	Not provided
Vehicle Service Hours (VSH)			
<i>Monthly Performance Reports</i>	2,603	2,369	2,546
<i>National Transit Database</i>	2,603	2,369	2,546
<i>State Controller Report</i>	2,603	2,369	Not provided
Vehicle Service Miles (VSM)			
<i>Monthly Performance Reports</i>	38,227	36,889	38,628
<i>National Transit Database</i>	38,227	36,889	38,628
<i>State Controller Report</i>	38,227	36,889	Not provided
Passengers			
<i>Monthly Performance Reports</i>	15,836	14,360	15,263
<i>National Transit Database</i>	15,836	14,360	15,263
<i>State Controller Report</i>	15,609	14,360	Not provided
Full-Time Equivalent Employees			
<i>State Controller Report</i>	4	4	Not provided
<i>Per City methodology</i>	3	3	3



Chapter 6

Performance Analysis

Performance indicators are typically employed to quantify and assess the efficiency of a transit operator’s activities. Such indicators provide insight into current operations as well as trend analysis of operator performance. Through a review of indicators, relative performance as well as possible inter-relationships between major functions is revealed.

The Transportation Development Act (TDA) requires recipients of TDA funding to track and report five performance indicators:

- Operating Cost/Passenger,
- Operating Cost/Vehicle Service Hour,
- Passengers/Vehicle Service Hour,
- Passengers/Vehicle Service Mile, and
- Vehicle Service Hours/Employee.

To assess the validity and use of performance indicators, the audit team performed the following activities:

- Assessed internal controls in place for the collection of performance-related information,
- Validated collection methods of key data,
- Calculated performance indicators, and
- Evaluated performance indicators.

The procedures used to calculate TDA-required performance measures for the current triennium were verified and compared with indicators included in similar reports to external entities (i.e., State Controller and Federal Transit Administration).

Operating Cost

The Transportation Development Act requires an operator to track and report transit-related costs reflective of the Uniform System of Accounts and Records developed by the State Controller and the California Department of Transportation. The most common method for ensuring this occurs is through a compliance audit report prepared by an independent auditor in accordance with California Code of Regulations Section 6667². The annual independent financial audit should confirm the use of the Uniform System of Accounts and Records. *Operating cost* – as defined by PUC Section 99247(a) – excludes the following:

² CCR Section 6667 outlines the minimum tasks which must be performed by an independent auditor in conducting the annual fiscal and compliance audit of the transit operator.



- Cost in the depreciation and amortization expense object class adopted by the State Controller pursuant to PUC Section 99243,
- Subsidies for commuter rail services operated under the jurisdiction of the Interstate Commerce Commission,
- Direct costs of providing charter service, and
- Vehicle lease costs.

Vehicle Service Hours and Miles

Vehicle Service Hours (VSH) and *Miles (VSM)* are defined as the time/distance during which a revenue vehicle is available to carry fare-paying passengers, and which includes only those times/miles between the time or scheduled time of the first passenger pickup and the time or scheduled time of the last passenger drop-off during a period of the vehicle's continuous availability.³ For example, demand-response service hours include those hours when a vehicle has dropped off a passenger and is traveling to pick up another passenger, but not those hours when the vehicle is unavailable for service due to driver breaks or lunch. For both demand-response and fixed-route services, service hours will exclude hours of "deadhead" travel to the first scheduled pick-up, and will also exclude hours of "deadhead" travel from the last scheduled drop-off back to the terminal. For fixed-route service, a vehicle is in service from first scheduled stop to last scheduled stop, whether or not passengers board or exit at those points (i.e., subtracting driver lunch and breaks but including scheduled layovers).

Passenger Counts

According to the Transportation Development Act, *total passengers* is equal to the total number of unlinked trips (i.e., those trips that are made by a passenger that involve a single boarding and departure), whether revenue-producing or not.

Employees

Employee hours is defined as the total number of hours (regular or overtime) which all employees have worked, and for which they have been paid a wage or salary. The hours must include transportation system-related hours worked by persons employed in connection with the system (whether or not the person is employed directly by the operator). Full-Time Equivalent (FTE) is calculated by dividing the number of person-hours by 2,000.

Fare Revenue

Fare revenue is defined by California Code of Regulations Section 6611.2 as revenue collected from the farebox plus sales of fare media. (Fare revenue does not include additional local revenues that can be used to supplement the farebox recovery ratio.)

³ A vehicle is considered to be in revenue service despite a no-show or late cancellation if the vehicle remains available for passenger use.



TDA Required Indicators

To calculate the TDA indicators for the City of California City, the following sources were employed:

- Operating Cost was not independently calculated as part of this audit. Operating Cost data were obtained via TDA fiscal audits for each fiscal year covered by this audit. Operating Cost from the reports was compared against that reported to the State Controller and NTD and was determined to be consistent with TDA guidelines. In accordance with PUC Section 99247(a), the reported costs excluded depreciation and other allowable expenses.
- Fare Revenue was not independently calculated as part of this audit. Fare Revenue data were obtained via TDA fiscal audits for each fiscal year covered by this audit. Fare revenue from the reports is consistent with TDA guidelines.
- Vehicle Service Hours (VSH) data were obtained via State Controller Reports for each fiscal year covered by this audit. Data from these reports were then compared with information included within the City's monthly performance data summary reports. The City's calculation methodology is consistent with PUC guidelines.
- Vehicle Service Miles (VSM) data were obtained via State Controller Reports for each fiscal year covered by this audit. Data from these reports were then compared with information included within the City's monthly performance data summary reports. This methodology is consistent with PUC guidelines.
- Unlinked trip data were obtained via State Controller reports for each fiscal year covered by this audit. Data from these reports were then compared with information included within the City's monthly performance data summary reports. The City's calculation methodology is consistent with PUC guidelines.
- Full-Time Equivalent (FTE) methodology was provided by the City and does not appear to be consistent with the TDA definition.

System Performance Trends

Operating cost experienced a net increase of 18.8 percent between FY 2012/13 and FY 2017/18, with modest decreases observed in FY 2014/15 and FY 2017/18. Fare revenue increased 14.4 percent during the prior triennial period, then decreased 23.3 percent between FY 2014/15 and FY 2017/18. Vehicle Service Miles and Vehicle Service Hours fluctuated across the last six years, with VSH ultimately experiencing a net decrease of 7.1 percent. VSM, on the other hand, saw a net increase of 1.3 percent during the same time period. Ridership fluctuated as well. It rose in FY 2015/16, then dropped back to FY 2014/15 levels in FY 2016/17 before increasing again in FY 2017/18. Ultimately ridership had a net decrease of 1.7 percent.

Cost-related metrics rose in FY 2015/16 and FY 2016/17, indicating a decline in overall program efficiency, but improved in FY 2017/18. Productivity-related metrics during the audit period remained fairly stable.



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Exhibit 6.1 System Performance Indicators

Performance Measure	System-wide					
	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
Operating Cost (Actual \$)	\$231,343	\$238,434	\$224,881	\$257,549	\$279,078	\$274,826
<i>Annual Change</i>		3.1%	-5.7%	14.5%	8.4%	-1.5%
Fare Revenue (Actual \$)	\$24,950	\$25,921	\$28,532	\$23,003	\$22,791	\$21,878
<i>Annual Change</i>		3.9%	10.1%	-19.4%	-0.9%	-4.0%
Vehicle Service Hours (VSH)	2,740	2,455	2,609	2,603	2,369	2,546
<i>Annual Change</i>		-10.4%	6.3%	-0.2%	-9.0%	7.5%
Vehicle Service Miles (VSM)	38,123	35,420	37,046	38,227	36,889	38,628
<i>Annual Change</i>		-7.1%	4.6%	3.2%	-3.5%	4.7%
Passengers	15,526	14,116	14,441	15,609	14,360	15,263
<i>Annual Change</i>		-9.1%	2.3%	8.1%	-8.0%	6.3%
Employees	2.8	3.2	3.3	4	4	
<i>Annual Change</i>		14.3%	3.1%	21.2%	0.0%	
Performance Indicators						
Operating Cost/VSH (Actual \$)	\$84.43	\$97.12	\$86.19	\$98.94	\$117.80	\$107.94
<i>Annual Change</i>		15.0%	-11.3%	14.8%	19.1%	-8.4%
Operating Cost/Passenger (Actual)	\$14.90	\$16.89	\$15.57	\$16.50	\$19.43	\$18.01
<i>Annual Change</i>		13.4%	-7.8%	6.0%	17.8%	-7.3%
Passengers/VSH	5.67	5.75	5.54	6.00	6.06	5.99
<i>Annual Change</i>		1.5%	-3.7%	8.3%	1.1%	-1.1%
Passengers/VSM	0.41	0.40	0.39	0.41	0.39	0.40
<i>Annual Change</i>		-2.1%	-2.2%	4.7%	-4.7%	1.5%
Farebox Recovery	10.8%	10.9%	12.7%	8.9%	8.2%	8.0%
<i>Annual Change</i>		0.8%	16.7%	-29.6%	-8.6%	-2.5%
Hours/Employee	978.6	767.2	790.6	650.8	592.3	
<i>Annual Change</i>		-21.6%	3.1%	-17.7%	-9.0%	
TDA Non-Required Indicators						
Operating Cost/VSM	\$6.07	\$6.73	\$6.07	\$6.74	\$7.57	\$7.11
<i>Annual Change</i>		10.9%	-9.8%	11.0%	12.3%	-6.0%
VSM/VSH	13.91	14.43	14.20	14.69	15.57	15.17
<i>Annual Change</i>		3.7%	-1.6%	3.4%	6.0%	-2.6%
Fare/Passenger	\$1.61	\$1.84	\$1.98	\$1.47	\$1.59	\$1.43
<i>Annual Change</i>		14.3%	7.6%	-25.4%	7.7%	-9.7%

Sources: FY 2012/13 – FY 2014/15 data from prior Triennial Performance Audit.
FY 2015/16 – FY 2017/18 data from State Controller Reports.

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Exhibit 6.2 System Ridership

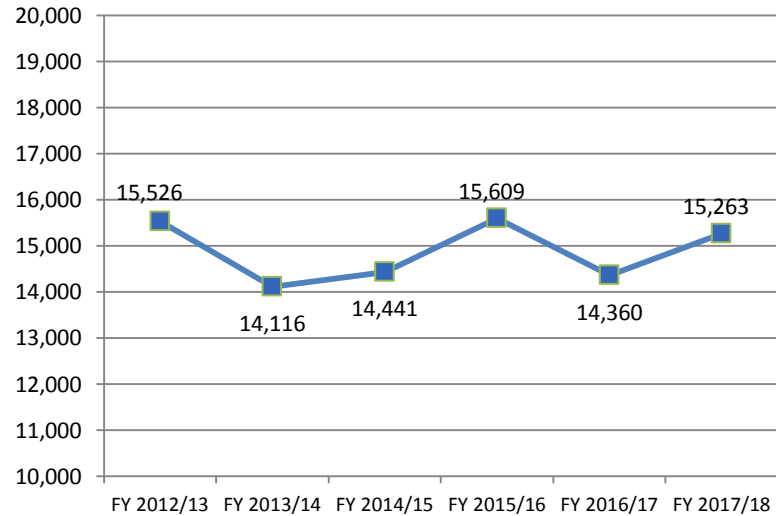


Exhibit 6.3 System Operating Cost/VSH

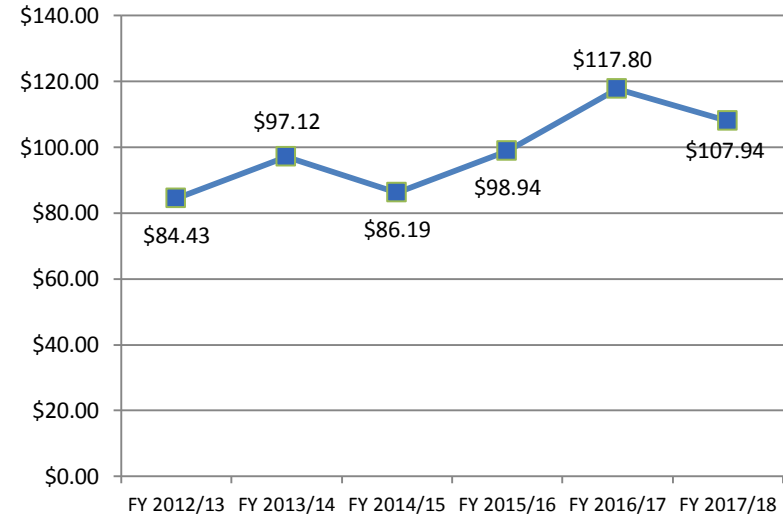


Exhibit 6.4 System Operating Cost/VSM

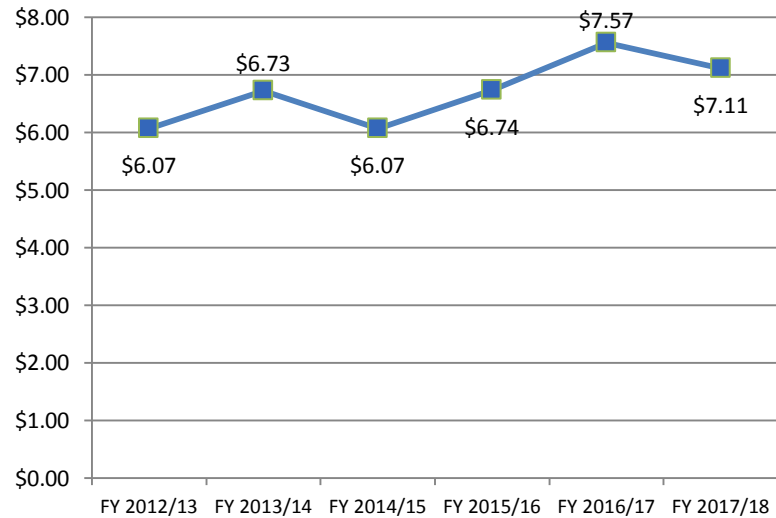
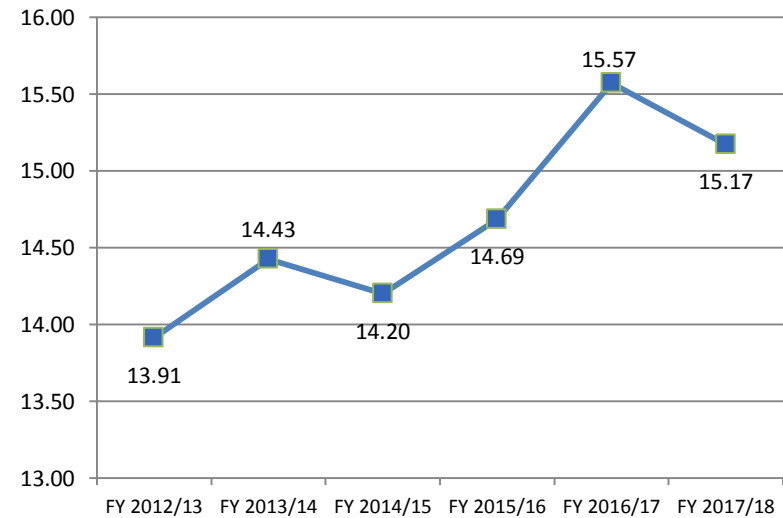


Exhibit 6.5 System VSM/VSH



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Exhibit 6.6 System Operating Cost/Passenger

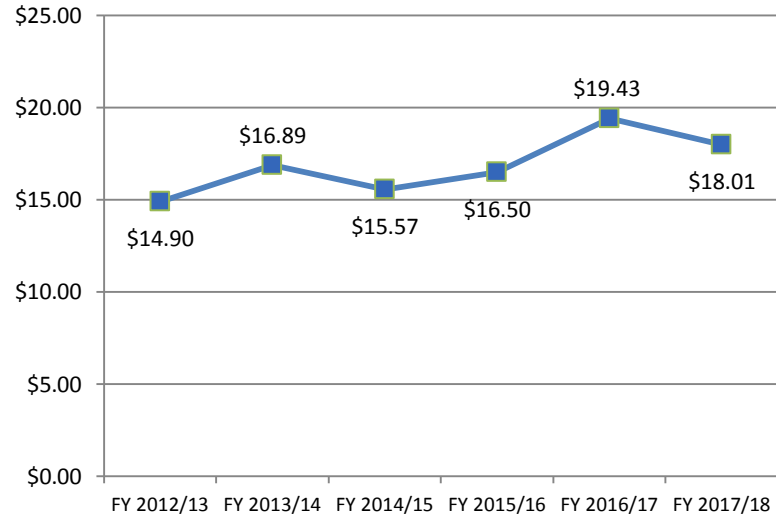


Exhibit 6.7 System Passengers/VSH

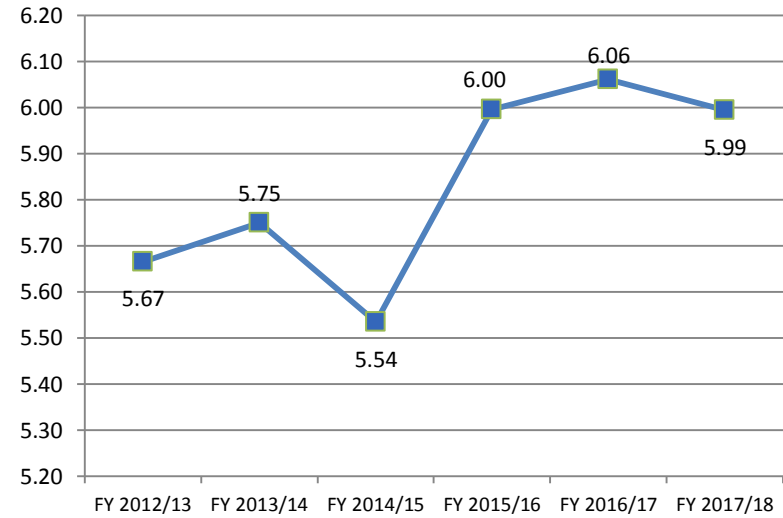


Exhibit 6.8 System Passengers/VSM

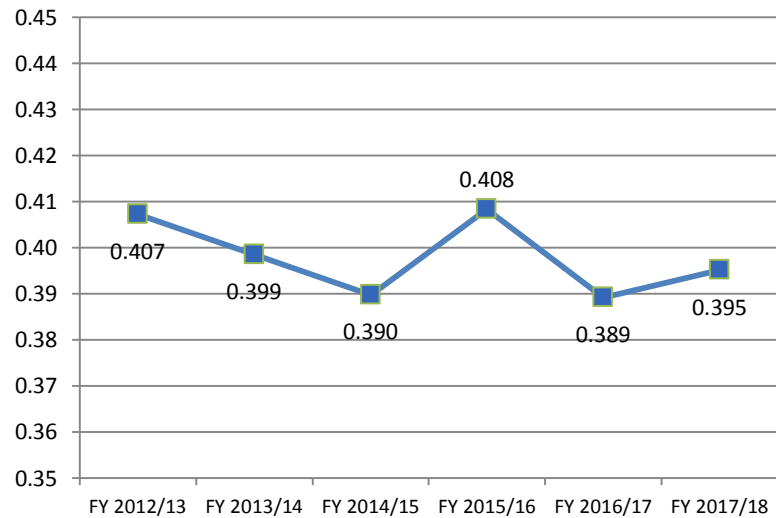
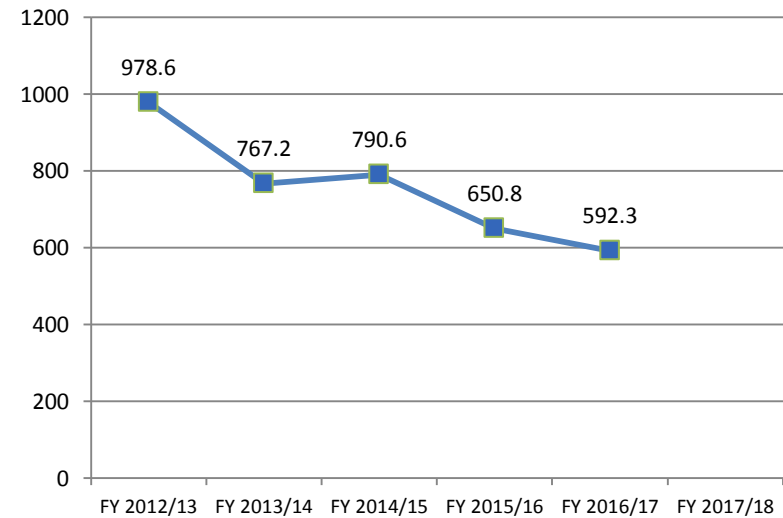


Exhibit 6.9 System VSH/FTE



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Exhibit 6.10 System Farebox Recovery

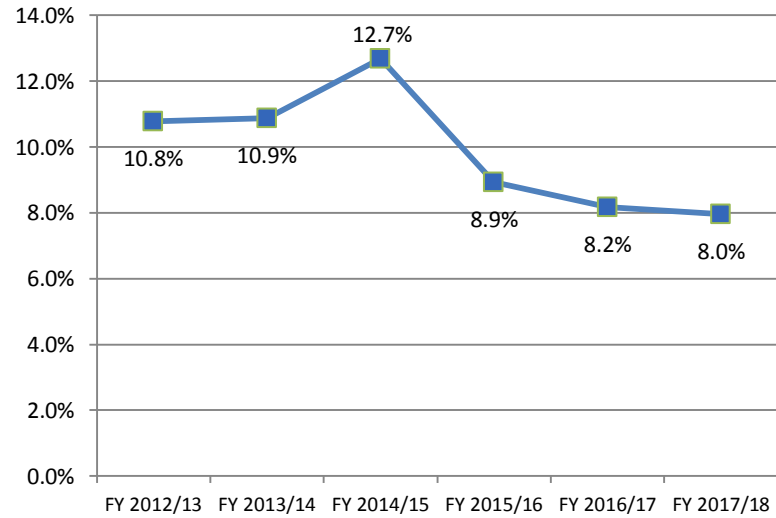
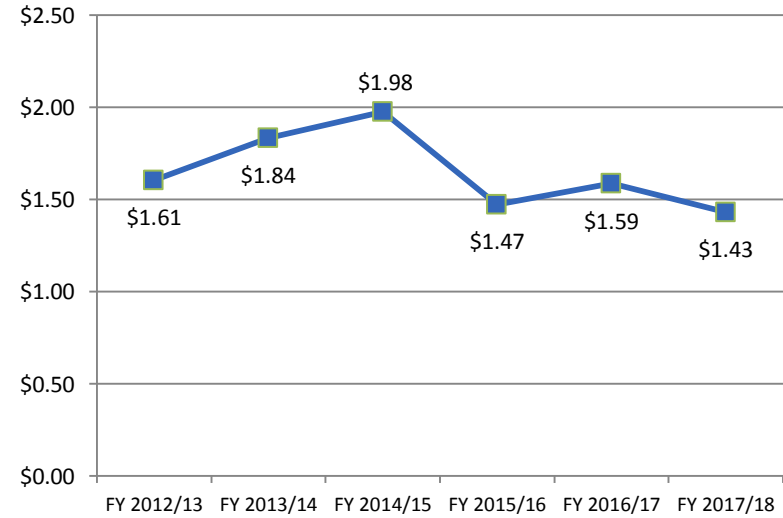


Exhibit 6.11 System Fare/Passenger



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Chapter 7 Functional Review

A functional review of the City of California City’s public transit program is intended to assess the effectiveness and efficiency of the operator. Following a general summary of the City’s transit services, this chapter addresses seven functional areas. The list, taken from Section III of the *Performance Audit Guidebook* published by Caltrans, reflects those transit services provided by the City of California City through its transit program:

- General management and organization;
- Service planning;
- Scheduling, dispatch, and operations;
- Personnel management and training;
- Administration;
- Marketing and public information; and
- Fleet maintenance.

Service Overview

The City of California City’s public transit service, marketed as California City Dial-A-Ride, is a curb-to-curb, general public demand-response service that operates Monday through Friday from 8:30 a.m. to 4:30 p.m. within city limits, and from 9:00 a.m. to 2:30 p.m. in Rancho Estates and Wonder Acres. The service does not operate on weekends or designated holidays.

Trips are provided on a first-come, first-served basis. Requests for service must be made on the same day before 3:45 p.m. and one hour in advance for appointments. Connections are available to the wider Kern Transit system, including inter-city service to Lancaster and Ridgecrest/Mojave on Kern Transit Routes 230 and 250.

Exhibit 7.1 Fare Structure

Type	Fare
General Public Cash Fare	\$1.70
Senior/ADA/Disabled/Senior Desert Jade	\$1.00/\$.050
10-Ride General Public	\$17.00
10-Ride Senior/ADA/Disabled	\$10.00
Children Under 4’9”	\$1.00

General Management and Organization

The City is currently in rebuilding mode. The Finance staff is down to one individual, which affected the City’s ability to respond to data requests for this audit. The Public Works Director oversees the City’s transit program, although the Street Supervisor is the direct supervisor for transit staff. The Street Supervisor is a full-time employee. The Public Works Director reviews all performance metrics and attends Kern COG’s TTAC and SSTAC meetings.

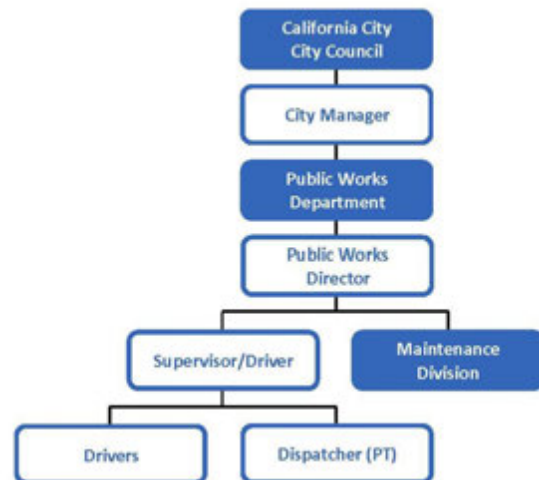
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The City of California City city council is the governing body for the City's transit service. Council meetings are held at City Hall (21000 Hacienda Boulevard) on the second and fourth Tuesdays of each month at 6:00 pm. This location is served by Kern Transit Routes 230 and 250 as well as the City's Dial-A-Ride. However, Dial-A-Ride service only operates until 4:30 pm, which impacts its usefulness in attending Council meetings. The City does not have a citizens' advisory transportation committee.

Exhibit 7.2 Organizational Chart



Service Planning

Kern COG handles planning through the periodic development of a Short Range Transit Plan (S RTP) or Transit Development Plan (TDP). The most recent TDP was completed in May 2012. Kern COG is currently preparing a Rural Alternative Transportation Plan which will include planning elements for the City of California City.

Ridership is the City's biggest transit challenge, along with a need to increase the farebox recovery ratio. The City is trying new scenarios to see if each will impact ridership.

Parents are now responsible for providing car seats for children who require them. This policy changed after January 2018.

There were no fare changes during the triennia.

Scheduling, Dispatch, and Operations

The City's transit program is operated by a staff of four: three full-time drivers, one of which is also a lead driver, and a part-time (three days per week) dispatcher. All drivers are trained to dispatch. The City tried a 9/80 schedule to match Kern Transit's schedule, which resulted in a ridership and revenue increase.

Drivers do not bid for assignments, but work 80 hours across nine days. The lead driver prepares weekly schedules.

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Fares are deposited into onboard farebox (installed within the last year), although drivers will give change. Drivers pull the vaults at the end of the day. The lead driver counts the money and records it. Counting takes place in a Public Works room. The money is delivered to Finance and the City Treasurer makes the deposits. Finance handles all reconciliation.

Personnel Management and Training

Drivers are represented by an association, but not a union. The transit program is sufficiently staffed and the City is not actively recruiting drivers. Most drivers came over from the Mojave Unified School District. All full-time employees receive the full menu of City-provided benefits, while part-time drivers are eligible for partial benefits.

Transit safety meetings are held monthly. The Public Works department holds safety meetings each week. The City was recently audited regarding its federal drug and alcohol random testing program. Transit is included in the city-wide disaster preparedness program. Discipline is handled equitably across all positions according to City guidelines.

Administration

The Public Works Director handles the annual budgeting process. The budget is approved by the city council. Grants are handled through the Engineering department while Risk Management is handled by the City's Human Resources department. The Engineering department is also responsible for procurement activities.

The Finance department is responsible for payroll. Employees fill out a physical timesheet on a biweekly basis. These are signed off on by the Department Manager. There is no internal audit function.

Marketing and Public Relations

Marketing consists of a one-page informational flyer. Information is also provided on the City's website. Customer phone calls/inquiries are handled by the Dispatcher. Complaints are handled by the Public Works Director. All calls are recorded and complaints are tracked.

Maintenance

Maintenance is overseen by the City's Shop Superintendent at the City's Corporate Yard/Fleet Shop. Maintenance is appropriately staffed. Preventive maintenance is based on time and mileage. Transit maintenance is given priority. The City has not had any issues where maintenance as resulted in vehicles not being available for morning pull-out.

Major component work (e.g., engines, transmissions) is sent out. The City's maintenance facility has two fixed lifts. It is a closed shop, with the parts area secured, though not many parts are kept in stock.

All vehicles are ADA accessible and some are equipped with bike racks. Vehicles are equipped with onboard security cameras (which auto-download each evening), fire extinguishers, and first aid kits. The Public Works Director prefers purchasing natural gas (CNG) buses rather than electric buses for future vehicle procurements.



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Transit vehicles are used as part of the City’s emergency plan in conjunction with the police and fire departments, and to provide transportation to cooling centers. Vehicles are also used for the City’s New Year’s celebration, for which the City offers free rides.

Exhibit 7.3 Fleet Inventory

Year	Vehicle #	Make	Model
2006	105	Ford	El Dorado BD E450
2010	122	Ford	El Dorado BD E450
2010	123	Ford	El Dorado BD E450
2010	124	Ford	El Dorado BD E450



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California City Dial-A-Ride vehicle.



California City Dial-A-Ride vehicle.



Transit operations building.



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Chapter 8

Findings and Recommendations

Conclusions

With three exceptions, Moore & Associates finds the City of California City to be in compliance with the requirements of the Transportation Development Act.

Findings and Recommendations

Based on discussions with City staff, analysis of program performance, and an audit of program compliance and function, the audit team presents three compliance findings:

1. The City did not meet the 10 percent farebox recovery ratio required by the TDA for non-urbanized operators.
2. The City does not employ the TDA definition of full-time equivalent (FTE) employee.
3. The City did not provide evidence that it submitted its Transit Operator Financial Transaction Report to the State Controller on time.

Moore & Associates has identified one functional finding. While this finding does not affect TDA compliance, we believe it warrants inclusion within this audit:

1. The City has not made progress regarding implementation of the recommendations presented within its 2012 Transit Development Plan.

Program Recommendations

In completing this Triennial Performance Audit, Moore & Associates submits the following recommendations for the City of California City. They are divided into two categories: TDA Program Compliance Recommendations and Functional Recommendations. TDA Program Compliance Recommendations are intended to assist in bringing the operator into compliance with the requirements and standards of the TDA, while Functional Recommendations address issues identified during the audit that are not specific to TDA compliance.

Compliance Finding 1: The City did not meet the 10 percent farebox recovery ratio required by the TDA for non-urbanized operators.

Criteria: PUC 99268.4 requires non-urbanized transit operators to maintain a farebox recovery ratio of at least 10 percent.

Condition: In FY 2015/16, the City of California City achieved a farebox recovery ratio of 7.53 percent. In FY 2016/17, that farebox recovery ratio increased slightly to 8.17 percent. In neither of those years was any local supplementation identified, and the TDA fiscal audits found the City to be out of compliance with the TDA. However, the long delays in the completion of these audits resulted in full TDA funding being allocated even if a penalty may have been warranted. Even if the City is on track to exceed the 10 percent threshold for FY 2017/18, it should not receive an allocation for FY 2019/20 until



the Kern Council of Governments and its auditors determine if a grace year has already been used, whether a penalty should be assessed, and if so, how much that penalty should be.

Note: On its FY 2016/17 TDA fiscal audit, an amount of \$19,429 identified as "Operating Revenues: Miscellaneous" was listed on the Statement of Revenues, Expenses, and Changes in Net Position for the City's KCOG Transportation Enterprise Fund (page 9 of the document). If this was additional local revenue that should have been applied to the farebox recovery ratio calculation, it was not noted by the TDA auditors in their compliance assessment, nor was it reported in the State Controller Supplemental Report for that year. If that amount were added to the fare revenue, it would result in a farebox recovery ratio of 15.13 percent, which is well above the 10 percent threshold.

Cause: Increasing operating costs without a corresponding increase in fare revenue can cause a drop in the farebox recovery ratio.

Effect: Failure to reach the 10 percent farebox recovery threshold results in the operator being out of compliance with the TDA.

Recommendation: Implement strategies to improve the farebox recovery ratio so that it meets or exceeds the 10 percent threshold.

Recommended Action(s): The City has a number of strategies that can be implemented in order to increase the farebox recovery ratio, should it be at risk at falling below 10 percent for any given year:

- Utilize locally generated funds to supplement farebox revenue so that it achieves the 10 percent threshold. This local supplementation should be identified to TDA fiscal auditors so they can apply it to their compliance determination.
- Implement a fare increase, which was recommended in the 2012 TDP.
- Implement and market a fixed-route service, which was recommended in the 2012 TDP.
- Formally request from Kern COG and exclude from farebox recovery ratio calculations any new or substantially expanded services that may be introduced across the next three years according to the guidelines set forth in PUC 99268.8, if this will benefit the City.

Timeline: FY 2019/20.

Anticipated Cost: Varies, depending on what strategies are implemented.

Compliance Finding 2: The City does not use the TDA definition of full-time equivalent (FTE) employee.

Criteria: The Transit Operators Financial Transaction Report Instructions published by the State Controller state the following with respect to the reporting of Total Employees – Public and Contract:

Report the number of employee equivalents. Public Utilities Code section 99247(j) defines "Vehicle service hours per employee" as the vehicle service hours divided by the number of employees employed in connection with the public transportation system. Use the assumption that 2,000 person-hours of work in one year constitutes one employee.

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The number of employees shall also include those individuals employed by the operator which provide services to the agency of the operator responsible for the operation of the public transportation system even though not employed in that agency.⁴

Condition: The City did not provide its FTE calculation methodology to the audit team during this review, only details about how it determines hours for its full-time drivers. The City appears to report its number of full-time employee equivalents to the State Controller by adding up the number of staff who spend their time on transit activities (“person-count”).

Cause: There may be a disconnect between the individual responsible for preparation of the State Controller Report and those who review the Triennial Performance Audit findings, or a lack of understanding of how the FTE metric is defined by the State Controller.

Effect: Use of a definition other than the TDA definition puts the City out of compliance with the TDA.

Recommendation: Utilize the TDA definition in calculating and reporting Full-Time Equivalent (FTE) employees to the State Controller.

Recommended Action(s): The City should use a clearly defined methodology that is consistent with the TDA definition of full-time equivalent (FTE) employee. We recommend the City use a methodology similar to that shown below. Results should be rounded to whole numbers using the standard rules of rounding.

The FTE percentages used to determine the number of hours are provided as an example and do not accurately reflect the City’s staffing. If actual hours worked specific to transit are not available, use the FTE percentages defined by the City in its staffing plan to estimate hours for maintenance, Public Works staff, etc. An example of such a calculation is provided below.

	Determine number of hours	Total hours
Full-time transit positions	3 * 2,080 hours	6,240
Part-time transit positions	1 * 2,080 hours * .60 FTE	1,248
Other administrative	2 * 2,080 hours * .15 FTE	624
Maintenance	1 * 2,080 hours * .50 FTE	1,040
Total hours		9,152
Divided by 2,000		4.58

Timeline: FY 2018/19.

Anticipated Cost: Negligible.

⁴ Transit Operators Financial Transactions Report Instructions, October 2018 update, page 23.



Compliance Finding 3: The City did not provide evidence that it submitted its Transit Operator Financial Transaction Report to the State Controller on time.

Criteria: The deadline for submittal of the Transit Operator Financial Transaction Report to the State Controller is seven months following the end of the fiscal year (January 31).

Condition: In FY 2017/18, the City did not provide evidence that it had submitted its State Controller Report as of April 5, 2019. It is unclear as to whether the report had actually been submitted by that date.

Cause: The cause of this issue is unclear.

Effect: Late submittal of the State Controller Report puts the City out of compliance with the TDA.

Recommendation: Ensure the City submits its State Controller Reports on time.

Recommended Action(s): If the cause of the delay is the availability of audited data, work with the City's Finance Department and auditors to ensure the information can be provided in a timely manner to facilitate the on-time submittal of the report.

Timeline: FY 2018/19

Anticipated Cost: Negligible.

Functional Finding 1: The City has not made progress regarding implementation of the recommendations contained within its 2012 Transit Development Plan.

Criteria: A key element of the Triennial Performance Audit is verification of the status of recommendations made during the prior audit. Prior recommendations that have not been implemented should be reviewed to determine if they remain relevant.

Condition: Service Planning is a functional area reviewed as part of the Triennial Performance Audit. The City's primary transit planning document is the Transit Development Plan, the most recent of which was finalized in 2012. In the City's 2016 Triennial Performance Audit, the audit team recommended the City move forward with a marketing plan well in advance of the potential implementation of fixed-route service. The recommendation also advised the City to determine whether other recommendations contained in the TDP remained feasible.

At this time, the City has not created or implemented a multi-year marketing plan, made progress toward implementing fixed-route service, or reassessed the 2012 TDP recommendations.

Cause: Changes in staffing have occurred within the City, along with a decrease in fare revenue and stagnant ridership.

Effect: This has made it a challenge to move forward with changes to the current transit program.



Recommendation: Reassess recommendations made in the 2012 TDP to determine if they remain relevant, and begin implementation of those that are still relevant.

Recommended Action(s): The 2012 TDP included several recommendations, including a fare increase, introduction of fixed-route service, development and implementation of a marketing plan, and travel training. The City, with support from Kern COG, should determine whether these recommendations would have a positive effect on farebox recovery and ridership and develop a revised timeline for implementation for those that remain relevant.

Timeline: FY 2020/21.

Anticipated Cost: Modest.

Exhibit 8.1 Summary of Audit Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Implement strategies to improve the farebox recovery ratio so that it meets or exceeds the 10 percent threshold.	High	FY 2019/20
2	Utilize the TDA definition in calculating and reporting Full-Time Equivalent (FTE) employees to the State Controller.	High	FY 2018/19
3	Ensure the City submits its State Controller Reports on time.	High	FY 2018/19
Functional Recommendations		Importance	Timeline
1	Reassess recommendations made in the 2012 TDP to determine if they remain relevant, and begin implementation of those that remain relevant.	Medium	FY 2020/21



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