City of Ridgecrest
Triennial Performance Audit FY 15/16 - 17/18
Kern Council of Governments

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

City of Ridgecrest

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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 Ridgecrest 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 Ridgecrest’s public transit program for the period Fiscal Year 2015/16 through Fiscal Year 2017/18.

The City of Ridgecrest operates a deviated flex-route service under the name “ridgerunner.” The ridgerunner is comprised of four routes each with a distinct name: Coyote (Line 1), Roadrunner (Line 2), Rattlesnake (Line 3), and Joshua Tree (Line 4). Lines 1, 2, and 3 run within Ridgecrest and Line 4 serves the community of Inyokern.

The ridgerunner service operates Monday through Friday from 7:00 a.m. to 4:50 p.m. in Ridgecrest and from 6:45 a.m. to 4:30 p.m. in Inyokern. A fifth “Mid-day Express” bus provides service down the City’s primary arterial between 11:00 a.m. and 1:00 p.m.

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.
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 one exception, the City of Ridgecrest met the test of compliance with respect to all Transportation Development Act (TDA) regulations.

1. In FY 2017/18, the City did not meet the 10 percent TDA farebox recovery ratio requirement.

Status of Prior Recommendations

1. Identify allowable auxiliary revenue to backfill the farebox recovery ratio and identify strategies for improving the farebox recovery ratio so that auxiliary revenue is not necessary.
   **Status:** Partially implemented.

2. Ensure FTE data are reported accurately to the State Controller.
   **Status:** Implemented.

3. Ensure vehicle depreciation is reported on the State Controller Reports.
   **Status:** Not implemented.

4. Report County contributions appropriately on the State Controller Report. Ensure they are not counted as fare revenue in TDA fiscal audits.
   **Status:** Not implemented.

Findings and Recommendations

Based on discussions with the City, analysis of program performance, and a review of program compliance and function, Moore & Associates submits one compliance finding for the City of Ridgecrest:

1. In FY 2017/18, the City did not meet the 10 percent TDA farebox recovery ratio requirement.

Moore & Associates has identified four functional findings. While these findings do not affect TDA compliance, we believe they warrant inclusion within this audit:

1. The City does not report depreciation in its State Controller Reports, even though depreciation amounts are included in TDA fiscal audits.
2. The City continues to incorrectly report contributions from the County as “Special Transit Fares” in its State Controller Report.
3. The County contribution is incorrectly excluded from Operating Cost in the TDA fiscal auditor’s farebox recovery ratio calculation.
4. Operating Cost is reported inconsistently on various reports, including the City’s TDA fiscal audit, State Controller Report, and NTD report.

### Exhibit 1.1 Summary of Audit Recommendations

<table>
<thead>
<tr>
<th>TDA Compliance Recommendations</th>
<th>Importance</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Include local supplementation to bring the farebox recovery ratio above ten percent.</td>
<td>Medium</td>
<td>FY 2018/19</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Functional Recommendations</th>
<th>Importance</th>
<th>Timeline</th>
</tr>
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<tbody>
<tr>
<td>1 Ensure vehicle depreciation is reported on the State Controller Reports.</td>
<td>Medium</td>
<td>FY 2018/19</td>
</tr>
<tr>
<td>2 Report County contributions appropriately on the State Controller Report so that they are not counted as fare revenue in the farebox recovery ratio calculation.</td>
<td>Medium</td>
<td>FY 2018/19</td>
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<tr>
<td>3 Work with the City’s TDA fiscal auditor to ensure only allowable exclusions are used in the calculation of the farebox recovery ratio.</td>
<td>Medium</td>
<td>FY 2019/20</td>
</tr>
<tr>
<td>4 Determine why Operating Cost is reported inconsistently among internal and external reports.</td>
<td>High</td>
<td>FY 2018/19</td>
</tr>
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</table>
Chapter 2
Audit Scope and Methodology

The Triennial Performance Audit (TPA) of the City of Ridgecrest’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 Ridgecrest 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 Ridgecrest 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 Ridgecrest 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.
The methodology for this review included a site visit to Ridgecrest city hall (100 West California Avenue, Ridgecrest) on October 19, 2018. The site visit included interviews with Cheri Freese, Finance Director, and Chris Smith, Transit Services Coordinator.

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.
Chapter 3

Program Compliance

This section examines the City of Ridgecrest’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 Ridgecrest 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 one exception, the City of Ridgecrest met the test of compliance with respect to all Transportation Development Act (TDA) regulations.

1. In FY 2017/18, the City did not meet the 10 percent TDA farebox recovery ratio requirement.

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.
## Exhibit 3.1 Transit Development Act Compliance Requirements

<table>
<thead>
<tr>
<th>Compliance Element</th>
<th>Reference</th>
<th>Compliance</th>
<th>Comments</th>
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</table>
| State Controller Reports submitted on time.                                        | PUC 99243     | In compliance | FY 2015/16: October 3, 2016  
                                FY 2016/17: January 8, 2018  
                                FY 2017/18: January 22, 2019 |
| Fiscal and compliance audits submitted within 180 days following the end of the fiscal year (or with up to 90-day extension). | PUC 99245     | In compliance | FY 2015/16: March 29, 2017  
                                FY 2016/17: March 26, 2018  
                                FY 2017/18: March 29, 2019  
                                **With 90-day extension.** |
| Operator’s terminal rated as satisfactory by CHP within the 13 months prior to each TDA claim. | PUC 99251 B   | In compliance | July 8, 2014  
                                July 15, 2015  
                                July 26, 2016  
                                July 25, 2017 |
| 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: +72.86%  
                                FY 2016/17: +14.18%  
                                FY 2017/18: -0.33%  
                                The budgeted increase in FY 2016 was due to backfilling a Transit Supervisor position that had been vacant for six years.  
| The operator’s definitions of performance measures are consistent with the Public Utilities Code Section 99247. | PUC 99247     | In compliance |                                                                           |
### Compliance Element

<table>
<thead>
<tr>
<th>Compliance Element</th>
<th>Reference</th>
<th>Compliance</th>
<th>Comments</th>
</tr>
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</table>
| 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 | FY 2015/16: 16.60%  
FY 2016/17: 13.19%  
FY 2017/18: 7.73%  
| 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      | Source: TDA fiscal audits FY 2017 – FY 2018, adjusted. |
| 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 employees are eligible for retirement benefits through 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: $93,577 (Operating)  
FY 2017: $87,275 (Operating)  
FY 2018: $87,869 (Operating)  
Source: National Transit Database. |
<p>| 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               | In compliance |                                                                   |</p>
<table>
<thead>
<tr>
<th>Compliance Element</th>
<th>Reference</th>
<th>Compliance</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>CCR 6634</td>
<td>In compliance</td>
<td></td>
</tr>
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</table>
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 Ridgecrest 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 four recommendations:

1. **Identify allowable auxiliary revenue to backfill the farebox recovery ratio and identify strategies for improving the farebox recovery ratio so that auxiliary revenue is not necessary.**

   **Discussion:** PUC Section 99268.4 establishes a 10 percent farebox recovery minimum for non-urbanized transit systems in order to remain compliant with TDA. While other locally generated funds may be used to subsidize farebox recovery, the standard is also used as a measure of efficiency and productivity.

   The City is only in compliance with respect to the farebox recovery ratio given the TDA allows an exemption from the 10 percent minimum farebox recovery ratio following the extension of services. The exemption lasts until two years after the end of the fiscal year in which the extended service was put into operation. The City introduced its deviated fixed-route service in October 2012 and is exempt from the farebox recovery ratio requirement through the end of FY 2014/15. As such, the City is considered to be in compliance through the end of the audit period. However, FY 2015/16 represents the first year the City will be required to demonstrate compliance with the 10-percent farebox recovery ratio.

   **Progress:** In FY 2015/16 and FY 2016/17, the City identified local support funds which it applied to its farebox recovery ratio. The TDA fiscal auditors included these funds in their annual compliance evaluations, but incorrectly exempted the cost of providing service to the County from operating cost. Removing this exemption reduced the FY 2015/16 farebox recovery ratio from 23.66 percent to 16.60 percent, and the FY 2016/17 farebox recovery ratio from 17.98 percent to 13.19 percent. Regardless, the farebox recovery ratio remained above the 10 percent threshold. However, in FY 2017/18, no local funds were reflected in the TDA fiscal audit compliance assessment.

   **Status:** Partially implemented.

2. **Ensure FTE data are reported accurately to the State Controller.**

   **Discussion:** Public Utilities Code Section 99247(j) defines the vehicle service hours per employee metric as “the number of vehicle service hours divided by the number of
employees employed in connection with the public transit system” using “the assumption that 2,000 person-hours of work in one year constitutes one employee.”

The City demonstrated use of the TDA definition for Full-Time Equivalents (FTE), which divides work hours by 2,000. However, this data was not reported accurately on the State Controller Reports in FY 2012/13 and FY 2013/14.

The prior auditors recommended the City ensure it is including Employee (FTE) data on its State Controller Reports based on the TDA-mandated calculation methodology.

**Progress:** The City continued to report eight FTE on its State Controller Report rather than the nine FTE that was calculated using the correct TDA definition as part of this audit. However, since the value of nine was the result of rounding, and the City splits its FTE between fixed-route and demand-response on its State Controller Report, this inconsistency is the result of rounding, rather than a miscalculation or misreporting on the part of the City.

**Status:** Implemented.

3. **Ensure vehicle depreciation is reported on the State Controller Reports.**

**Discussion:** The Income Statement – Operating Expenses Form in the State Controller Report asks operators to report depreciation as part of their operating expenses. Depreciation is defined as a “loss in service value of assets,” whether those assets are acquired with the operator’s earnings or with grant funds.

The City does not currently report depreciation of capital assets on its State Controller Reports. Depreciation is reported in annual TDA fiscal audits and monthly performance reports.

The prior auditors recommended the City begin reporting depreciation on its State Controller Reports so that it can be accounted for in the calculation of operating expenses for the purposes of determining farebox recovery ratio.

**Progress:** The City did not claim depreciation on its FY 2015/16 or FY 2016/17 State Controller Report, though depreciation expenses were identified within its CAFRs and TDA fiscal audits.

**Status:** Not implemented.

4. **Report County contributions appropriately on the State Controller Report. Ensure they are not counted as fare revenue in TDA fiscal audits.**

**Discussion:** The California State Controller’s Uniform System of Accounts (Account 402.000) states that in order for the funds to be considered special transit fares, they must not be considered general operating assistance or “purchase or service” payments from a unit of local government. Therefore, per the Uniform System of Accounts, this type of revenue falls
under Account 409.010, Local Cash Grants and Reimbursements – General Operating Assistance, which is defined as “the receipt or accrual of local government payments to help cover the operating costs of providing transit services.” This category covers general operating assistance and is not based on special fares for the service. This would be reported on the State Controllers Report under General Operating Assistance, under Taxes Levied Directly by the Transit System, though the source of the funds is not a tax.

During the prior audit period, the City reported the County’s non-fare contribution to the State Controller as “Special Transit Fares.” Based on the above definition, these funds cannot be recorded as fares or local support for purposes of farebox recovery, which at the time was defined as “revenues derived from taxes imposed by the operator or by a county transportation commission created pursuant to Division 12 of the Public Utilities Code.” Since then, the local support definition has been expanded to include additional revenue sources.

It should also be noted that certified public accounting firm Brown Armstrong, which prepared the City’s annual TDA fiscal audit, included funds received from the County as “fares.” The audit also reported depreciation that was not reported to the State Controller, thereby claiming a farebox recovery ratio of 43.93 percent in 2013 and 36.76 percent in FY 2014. The prior auditors noted that county payments were inaccurately being classified as fare by the TDA auditors.

The prior auditors recommended the City ensure County contributions are being reported to the State Controller as General Operating Assistance, not Special Transit Fares. The City should also work with its TDA fiscal auditor to ensure an understanding of this issue and ensure County contributions are reported correctly in future fiscal audits.

**Progress:** The City continues to report the County’s contribution as “Special Transit Fares” in the State Controller Report. The TDA fiscal audits now do not include the County’s contribution as fares, but instead include local funds to supplement fare revenues. However, the fiscal auditors are also excluding the County contribution from operating cost when calculating farebox recovery ratio, which is incorrect.

**Status:** Not implemented.
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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 Ridgecrest 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.

- **Operating Cost:** In FY 2015/16, the operating cost reported on the TDA fiscal audit was significantly different than that reported to the NTD and State Controller. In FY 2016/17 and FY 2017/18, all reported figures were different. It is unclear as to whether depreciation was excluded in reports to the NTD or State Controller. Audited operating cost was used in the performance analysis in Chapter 6 as it clearly excluded depreciation according to the TDA definition.

- **Vehicle Service Hours:** In FY 2016/17, VSH reported to the NTD was significantly higher than that reported on monthly performance reports and the State Controller Report. Otherwise, VSH was reported consistently to all entities.

- **Vehicle Service Miles:** As with VSH, in FY 2016/17, VSM reported to the NTD was significantly higher than that reported on monthly performance reports and the State Controller Report. Otherwise, VSM was generally reported consistently to all entities. In FY 2017/18, a difference of 2,000 VSM in the NTD report is likely due to a typographical error with respect to the fixed-route data rather than an error in the calculation.

- **Passengers:** In FY 2016/17, passengers reported to the NTD was 14.1 percent lower than that reported on monthly progress reports and to the State Controller. Otherwise, passengers was reported consistently to all entities.

- **Full-Time Equivalent Employees:** As noted in Chapter 4, the difference in reporting between the City’s/TDA methodology and the TOR is due to rounding, given FTE is split between two modes and each mode is rounded independently.
### Exhibit 5.1 Data Reporting Consistency

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>System-Wide FY 2015/16</th>
<th>System-Wide FY 2016/17</th>
<th>System-Wide FY 2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Cost (Actual $)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly Performance Reports</td>
<td>1,087,186</td>
<td>1,026,864</td>
<td>695,249</td>
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<tr>
<td>TDA fiscal audit</td>
<td>$736,075</td>
<td>$735,734</td>
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<td>National Transit Database</td>
<td>$1,158,448</td>
<td>$1,474,068</td>
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<td>State Controller Report</td>
<td>$1,158,448</td>
<td>$1,086,025</td>
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<td><strong>Fare Revenue (Actual $)</strong></td>
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<td>TDA fiscal audit</td>
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<td><strong>Vehicle Service Hours (VSH)</strong></td>
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<td><strong>Vehicle Service Miles (VSM)</strong></td>
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<tr>
<td>Per City methodology</td>
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<tr>
<td>Per TDA methodology</td>
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<td>8</td>
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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 6667. 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:

---

1 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. 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.)

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2 A vehicle is considered to be in revenue service despite a no-show or late cancellation if the vehicle remains available for passenger use.
City of Ridgecrest
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TDA Required Indicators
To calculate the TDA indicators for the City of Ridgecrest, 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 the TDA definition (hours worked divided by 2,000).
- Full-Time Equivalent (FTE) methodology was provided by the City and is consistent with the TDA definition.

System Performance Trends
Operating cost saw a net decrease of 45.5 percent between FY 2012/13 and FY 2017/18, with the greatest decrease taking place in FY 2017/18. There was virtually no change between FY 2015/16 and FY 2016/17. Fare revenue saw a net increase of 17.5 percent between FY 2012/13 and FY 2016/17, but declined in FY 2017/18. Ultimately, fare revenue saw a net increase of 5.5 percent across the six-year period. Ridership fluctuated significantly between FY 2012/13 and FY 2017/18, but ultimately saw a net decrease of 10.1 percent. Vehicle service hours experienced a significant increase between FY 2013/14 and FY 2015/16, followed by a nearly six percent decline in FY 2016/17 and an even greater decrease in FY 2017/18. This resulted in very little change (0.2 percent) between FY 2012/13 and FY 2017/18. Vehicle service miles saw a net increase of 15.3 percent after peaking in FY 2013/14.
### Exhibit 6.1 System Performance Indicators

<table>
<thead>
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<td>$1,081,449</td>
<td>$876,044</td>
<td>$846,577</td>
<td>$736,075</td>
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<td>Fare Revenue (Actual $)</td>
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<td>$39,633</td>
<td>$33,070</td>
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<td>0.5%</td>
<td>-5.9%</td>
<td>-8.8%</td>
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<tr>
<td>Vehicle Service Miles (VSM)</td>
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<td>87,300</td>
<td>87,512</td>
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<td>0.2%</td>
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<td>13,629</td>
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<td>8</td>
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<td>Annual Change</td>
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<td>Operating Cost/VSH (Actual $)</td>
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<td>$105.74</td>
<td>$102.39</td>
<td>$88.60</td>
<td>$94.10</td>
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<td>6.2%</td>
<td>-35.9%</td>
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<td>Operating Cost/Passenger (Actual)</td>
<td>$80.01</td>
<td>$51.23</td>
<td>$59.04</td>
<td>$54.01</td>
<td>$46.11</td>
<td>$35.41</td>
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<td>Annual Change</td>
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<td>-8.5%</td>
<td>-14.6%</td>
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<td>1.73</td>
<td>1.64</td>
<td>2.04</td>
<td>1.70</td>
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<td>-16.5%</td>
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<td>0.19</td>
<td>0.16</td>
<td>0.16</td>
<td>0.19</td>
<td>0.15</td>
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<td>-5.2%</td>
<td>19.1%</td>
<td>-20.9%</td>
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<td>Farebox Recovery</td>
<td>2.9%</td>
<td>4.8%</td>
<td>4.7%</td>
<td>4.5%</td>
<td>5.0%</td>
<td>7.7%</td>
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<td>Hours/Employee</td>
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<td>828.5</td>
<td>1033.5</td>
<td>1,038.5</td>
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<td>891.0</td>
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<td>Annual Change</td>
<td>16.0%</td>
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<td>Operating Cost/VSM</td>
<td>$15.06</td>
<td>$9.95</td>
<td>$9.70</td>
<td>$8.41</td>
<td>$8.55</td>
<td>$5.20</td>
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<td>Annual Change</td>
<td>-34.0%</td>
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<td>-13.3%</td>
<td>1.7%</td>
<td>-39.2%</td>
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<td>VSM/VSH</td>
<td>10.05</td>
<td>10.63</td>
<td>10.56</td>
<td>10.53</td>
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<td>Annual Change</td>
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<td>Fare/Passenger</td>
<td>$2.33</td>
<td>$2.44</td>
<td>$2.76</td>
<td>$2.43</td>
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<td>17.9%</td>
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</table>

Sources: FY 2012/13 – FY 2014/15 data from prior Triennial Performance Audit.  
FY 2015/16 – FY 2017/18 financial data from TDA fiscal audits.  
FY 2015/16 – FY 2017/18 operating data from State Controller Reports.
City of Ridgecrest
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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
**Exhibit 6.10 System Farebox Recovery (not supplemented)**

- FY 2012/13: 2.9%
- FY 2013/14: 4.8%
- FY 2014/15: 4.7%
- FY 2015/16: 4.5%
- FY 2016/17: 5.0%
- FY 2017/18: 7.7%

**Exhibit 6.11 System Fare/Passenger**

- FY 2012/13: $2.33
- FY 2013/14: $2.44
- FY 2014/15: $2.76
- FY 2015/16: $2.43
- FY 2016/17: $2.32
- FY 2017/18: $2.74
A functional review of the City of Ridgecrest’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 Ridgecrest 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 Ridgecrest operates a deviated flex-route service under the name “ridgerunner.” The ridgerunner is comprised of four routes each with a distinct name: Coyote (Line 1), Roadrunner (Line 2), Rattlesnake (Line 3), and Joshua Tree (Line 4). Lines 1, 2, and 3 operate within Ridgecrest and Line 4 serves the community of Inyokern.

The ridgerunner service operates Monday through Friday from 7:00 a.m. to 4:50 p.m. in Ridgecrest and from 6:45 a.m. to 4:30 p.m. in Inyokern. A fifth “Mid-day Express” bus provides service down the City’s primary arterial between 11:00 a.m. and 1:00 p.m.

Each route has designated bus stops and a 15-minute “deviation” window. The buses follow defined routes, picking up and dropping off passengers at designated stops. Persons with disabilities which preclude using flex-route bus stops may apply for Transit Functional Needs qualifications. Persons who qualify as a Transit Functional Need Passenger may make a reservation for deviated service within three-fourths (3/4) of a mile from its usual route. Requests for trip/ride deviations may be made by phone one business day in advance Monday through Friday between the hours of 8:00 a.m. and 12:00 p.m. and 1:00 p.m. though 3:00 p.m.

The City also offers transit life-line service in Johannesburg and Randsburg, with two trips on Fridays available by request only.
Exhibit 7.1 Ridgecrest Local Service Fare Structure

<table>
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<th>Fare Category</th>
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<th>Seniors/Disabilities/Youth</th>
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<td>General Ride-City</td>
<td>$2.50</td>
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<td>Monthly Pass</td>
<td>$45.00</td>
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<td>Deviation</td>
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<tr>
<td>Children Under 3</td>
<td>Free</td>
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<tr>
<td>General Ride-County</td>
<td>$2.00</td>
<td>$1.00</td>
</tr>
<tr>
<td>General Ride-Inyokern/Crest</td>
<td>$2.50</td>
<td>$1.25</td>
</tr>
<tr>
<td>Deviation</td>
<td>$2.00</td>
<td>-</td>
</tr>
<tr>
<td>General Ride- Randsburg/Johannesburg</td>
<td>$8.00</td>
<td>$4.00</td>
</tr>
<tr>
<td>Monthly Pass-All County</td>
<td>$35.00</td>
<td>-</td>
</tr>
<tr>
<td>Monthly Pass-Inyokern</td>
<td>$45.00</td>
<td>$35.00</td>
</tr>
</tbody>
</table>

All rides include one free transfer redeemable at the transfer point.

General Management and Organization
The Transit Services Coordinator oversees the Transit program with oversight from the Ridgecrest City Manager and the Director of Public Works. The Public Works Director or City Engineer attends KernCOG TTAC and SSTAC meetings. The Transit Services Coordinator feels the transit program is adequately staffed. The Transit Services Coordinator meets weekly with the Dispatcher and Road Safety Driver Trainer to discuss short term and long term projects, any personnel issues, and other topics or issues of interest.

The issue of biggest concern for the City Council is meeting farebox. The City has its farebox revenue with local funds for the past two years. Other concerns include the ability to retain “choice riders” as well as high turnover among transit staff. This has resulted in the loss of a lot of institutional knowledge. In October 2017, the former Transit Services Coordinator went on extended medical leave until vacating the position in April 2018. A former driver was named as the new Transit Services Coordinator in July 2018. A new Public Works Director was hired in December 2017.

The Ridgecrest City Council is the governing body for the City’s transit service. Council meetings are held at City Hall (100 W California Avenue) on the first and third Wednesdays of each month at 6:00 p.m. This location is served by all four fixed-routes as well as by Kern Transit routes 227 and 230. However, ridgerunner service only operates until 4:50 p.m., which could limit its usefulness in attending Council meetings. There is no citizen’s advisory council.

The Transit Division of the City of Ridgecrest works with the Kern Council of Governments and CalTrans to secure funding and satisfy reporting requirements. The Transit Services Coordinator serves as intergovernmental liaison.
Service Planning
The Kern Council of Governments (RTPA) is responsible for transit planning for the City of Ridgecrest through the periodic development of a Short Range Transit Plan (SRTP) or Transit Development Plan (TDP). The most recent TDP was completed in June 2007. Several of the recommendations have been implemented, including developing an identity for the transit service and increasing marketing. There were several other recommendations included in the TDP but it is unknown whether they remain relevant.

The City of Ridgecrest holds an annual “Unmet Needs” public hearing in conjunction with Kern COG. The process typically begins in January with a hearing before the city council occurring at the beginning of March.

No significant service changes have occurred since the last triennial performance audit, though several bus stops have been added and routes adjusted to serve new retail development (Walmart). In November 2018 the City established customer service standards as part of an all-staff meeting.

Scheduling, Dispatch, and Operations
Fixed-route service is provided with up to five vehicles daily. All dispatching is done via face-to-face conversation. There is one dispatcher and one fleet mechanic. All drivers are licensed to drive all vehicles.

Monthly, punch, and single-ride passes are purchased at City Hall from the Finance Department. The transaction is entered into the financial system at the time of sale by the Account Clerk I and a receipt is generated by the system and provided to the customer. The money is stored in a locked drawer. Cash
deposits for the bank are prepared daily by the Account Clerk II and sent for deposit in an armored car service.

Onboard fares are collected in fareboxes with a self-locking vault. Once the fare has been dropped from the top of the farebox into the vault, the driver no longer has access. Once the vault is removed, only the Dispatcher, Road Safety Driver/Trainer, or Transit Services Coordinator has access. The key for the vaults is kept in a locked cabinet in the Dispatch office. A farebox report is created daily by the Dispatcher and the deposit is reconciled to this report by the Road Safety Driver/Trainer or the Transit Services Coordinator. Fares are counted in the dispatch office and secured in a locked cabinet until the Transit Services Coordinator transfers the deposit to City Hall. At City Hall the deposit is immediately dropped into the safe and logged. Final reconciliation is done by the Finance Department. The City utilizes a daily armored car service for its deposits.

Personnel Management and Training
The City currently has five full-time drivers and one part-time driver; all are cross-trained. The part-time driver operates on an on-call basis, unless scheduled due a foreseen absence (vacation, known sick leave, etc.). The Road Safety Driver/Trainer is also trained to drive and currently provides coverage as needed. Drivers are represented by the United Food & Commercial Workers International Union (UFCW). There is no formal bid process and assignments are not seniority based. There are five different driver shifts; each driver rotates shifts every two weeks on a five-shift cycle.

All drivers are City employees, and are eligible for benefits based on the City’s compensation structure. Limited benefits (primarily paid time off) are available to part-time drivers, while full-time drivers are eligible for full benefits. All City employees are subject to the same personnel and discipline rules.

All driver training is handled by the Road Safety Driver/Trainer. The City does not currently hold regular safety meetings but has plans to implement them. The Transit Services Coordinator meets with drivers on a biweekly basis.

The transit department is currently staffed adequately. In the past there have been issues with high turnover and recruitment as the pool of candidates is very limited. The City is not currently recruiting drivers.

Administration
The Public Works Director, in consultation with the Transit Services Coordinator, is responsible for the transit department budget. The budget is ultimately presented to and adopted by the City Council. The Transit Services Coordinator is responsible for grant writing as well as administering all grant funds. Recent grants have included State of Good Repair, a CalOES grant for fencing at the Inyokern transfer hub, and a 5339B grant for vehicle replacement. State of Good Repair funds will be put toward the purchase of an electric vehicle.

Risk management is handled by the City Clerk. A disaster preparedness plan is in place as are procedures for injuries and accidents. The City does not have an internal audit function. The Road Supervisor, with some assistance from the Street Department, is responsible for maintaining bus stops and facilities.
The Finance Department is responsible for payroll. On a biweekly basis, employees turn in handwritten timesheets to their supervisors, who review, approve, and enter time into the New World system. The Junior Accountant double-checks payroll for errors and approves payroll to be processed. Direct deposit is available.

Accounts Payable is a separate function from Accounts Receivable, and both are separate from Purchasing. Department heads verify that goods/services are received before invoices are approved and returned to Accounts Payable for processing.

Procurement is handled by individual departments and department heads may authorize all purchases under $1,000. For all purchases over $1,000 three quotes are obtained to determine the lowest cost supplier, and a purchase order will be entered for the lowest-priced supplier prior to making the purchase. All purchases over $3,000 must be authorized by the Finance Director, while the City Manager authorizes purchase orders over $15,000. Purchases over $30,000 that were not approved within the budget must be approved by City Council. Purchases of supplies and equipment in excess of $25,000 and improvements in excess of $5,000 require sealed bids and City Council approval.

Marketing and Public Relations
The City’s primary promotional tool is its brochure. Transit information is also available on the City's website. The brochure is in English only, though the website includes a Google Translate widget to provide translation into Spanish and other languages. ADA information and Title VI Notice to the Public, Complaint Procedure, and Complaint Form are available in Spanish. The City does not sell advertising on vehicle exteriors or at bus stops. The Transit Department participates in community events such as the Parade of a Thousand Flags and Trunk or Treat. In the past transit has not conducted much outreach, but increasing outreach efforts is a goal moving forward. The City also conducts outreach to the local college.

Transit riders were surveyed in October 2017. The City is interested in conducting frequent surveys of riders.

The Dispatcher handles all customer service calls and complaints. All complaints are logged and processes for complaint resolution are in place.

Maintenance
The City’s fleet consists of ten vehicles; six Ford Eldorado Aero Elites, three Starcraft Allstars, and one Ford Econoline van. All vehicles are wheelchair accessible. Vehicles are equipped with fire extinguishers, first aid kits, and bike racks. A fleet inventory is provided in Exhibit 7.3.

Maintenance is provided at the City's garage. The City's garage is shared with other City vehicles. Its equipment includes two lifts. There is no locked parts storage area, though a modest parts inventory is maintained. One mechanic services all City vehicles. All warranties and major components are currently sent out.

There is frequent communication between the Dispatcher and Maintenance regarding vehicle availability, and there are no issues with vehicles being available for pullout. The preventive maintenance schedule uses a time and mileage combination based on the manufacturer’s
recommendations; 3,000 miles for lube/oil/fluids and 45 days for CHP. Warranty work is done as appropriate and major component work is outsourced.

<table>
<thead>
<tr>
<th>Vehicle #</th>
<th>Year</th>
<th>Make</th>
<th>Model</th>
<th>PAX</th>
<th>WC</th>
<th>Mileage</th>
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</thead>
<tbody>
<tr>
<td>R301</td>
<td>2003</td>
<td>Ford</td>
<td>Econoline 350</td>
<td>8</td>
<td>1</td>
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<tr>
<td>R340</td>
<td>2008</td>
<td>Starcraft</td>
<td>Allstar</td>
<td>16</td>
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<td>R389</td>
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<td>Ford</td>
<td>Eldorado Aero Elite</td>
<td>20</td>
<td>2</td>
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<tr>
<td>R391</td>
<td>2012</td>
<td>Ford</td>
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<tr>
<td>R392</td>
<td>2012</td>
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<td>2</td>
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<tr>
<td>R398</td>
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<td>Ford</td>
<td>Eldorado Aero Elite</td>
<td>22</td>
<td>2</td>
<td>57,097</td>
</tr>
<tr>
<td>R399</td>
<td>2013</td>
<td>Ford</td>
<td>Eldorado Aero Elite</td>
<td>22</td>
<td>2</td>
<td>77,547</td>
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<tr>
<td>R423</td>
<td>2017</td>
<td>Starcraft</td>
<td>Allstar</td>
<td>20</td>
<td>2</td>
<td>31,831</td>
</tr>
<tr>
<td>R424</td>
<td>2017</td>
<td>Starcraft</td>
<td>Allstar</td>
<td>20</td>
<td>2</td>
<td>22,541</td>
</tr>
</tbody>
</table>
City of Ridgecrest
Triennial Performance Audit, FY 2015/16 – FY 2017/18
Final Report

City of Ridgecrest Starcraft Allstar.

City of Ridgecrest Ford Aero Elite.

City of Ridgecrest bus branding.

City maintenance bay.
City of Ridgecrest

City maintenance bay.

City of Ridgecrest bus branding.

City of Ridgecrest farebox.

City of Ridgecrest dispatch office.
City of Ridgecrest
Triennial Performance Audit, FY 2015/16 – FY 2017/18
Final Report

Chapter 8

Findings and Recommendations

Conclusions
Moore & Associates finds the City of Ridgecrest to be in compliance with the requirements of the Transportation Development Act. In addition, the entity generally functions in an efficient, effective, and economical manner.

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 one compliance findings:

1. In FY 2017/18, the City did not meet the 10 percent TDA farebox recovery ratio requirement.

Moore & Associates has identified four functional findings. While these findings do not affect TDA compliance, we believe they warrant inclusion within this audit:

1. The City does not report depreciation in its State Controller Reports, even though depreciation amounts are included in TDA fiscal audits.
2. The City continues to incorrectly report contributions from the County as “Special Transit Fares” in its State Controller Report.
3. The County contribution is incorrectly excluded from Operating Cost in the TDA fiscal auditor’s farebox recovery ratio calculation.
4. Operating Cost is reported inconsistently on various reports, including the City’s TDA fiscal audit, State Controller Report, and NTD report.

Program Recommendations
In completing this Triennial Performance Audit, Moore & Associates submits the following recommendations for the City of Ridgecrest. 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: In FY 2017/18, the City did not meet the 10 percent TDA farebox recovery ratio requirement.

Criteria: PUC 99258.4 requires rural transit operators to maintain a farebox recovery ratio of at least 10 percent.

Condition: In FY 2017/18, the TDA fiscal audit determined the City’s farebox recovery ratio to be 7.73 percent. However, this calculation did not include any local supplementation.
Cause: In prior years during this audit period, the City applied local supplementation to the farebox recovery ratio, resulting in compliance with the TDA.

Effect: Failure to include local supplementation in FY 2017/18’s compliance evaluation resulted in a farebox recovery ratio lower than 10 percent.

Recommendation: Include local supplementation to bring the farebox recovery ratio above ten percent.

Recommended Action(s): The City should continue to identify local supplementation, which is then applied to the farebox recovery ratio. This was successfully done in FY 2015/16 and FY 2016/17, but not in FY 2017/18.

Timeline: FY 2018/19.

Anticipated Cost: Negligible.

Functional Finding 1: The City does not report depreciation in its State Controller Reports, even though depreciation amounts are included in TDA fiscal audits.

Criteria: The Income Statement – Operating Expenses Form in the State Controller Report asks operators to report depreciation as part of their operating expenses. Depreciation is defined as a “loss in service value of assets,” whether those assets are acquired with the operator’s earnings or with grant funds.

Condition: The City does not currently report depreciation of capital assets on its State Controller Reports. Depreciation is reported in annual TDA fiscal audits and City CAFRs.

Cause: Failure to report depreciation on the State Controller Reports results in a higher operating cost when calculating the farebox recovery ratio (unless the depreciation value has already been excluded from the reported operating cost).

Effect: This can result in a slight decrease in the farebox recovery ratio and/or an incomplete representation of operating cost on the State Controller Report.

Recommendation: Ensure vehicle depreciation is reported on the State Controller Reports.

Recommended Action(s): The City should begin reporting depreciation on its State Controller Reports so that it can be accounted for in the calculation of operating expenses for the purposes of determining farebox recovery ratio. If the City is excluding depreciation value from operating cost before it reports this information, it should instead report the full operating cost of the transit program and report depreciation on the appropriate place on the form. Depreciation will automatically be excluded from the farebox recovery ratio calculation on the State Controller Report.

Timeline: FY 2018/19.
Functional Finding 2: The City continues to incorrectly report contributions from the County as “Special Transit Fares” in its State Controller Report.

Criteria: The California State Controller’s Uniform System of Accounts (Account 402.000) states that in order for the funds to be considered special transit fares, they must not be considered general operating assistance or “purchase or service” payments from a unit of local government. Therefore, per the Uniform System of Accounts, this type of revenue falls under Account 409.010, Local Cash Grants and Reimbursements – General Operating Assistance, which is defined as “the receipt or accrual of local government payments to help cover the operating costs of providing transit services.” This category covers general operating assistance and is not based on special fares for the service.

Condition: The City currently reports the County’s non-fare contribution to the State Controller as “Special Transit Fares.” Based on the above definition, these funds cannot be recorded as fares or local support for purposes of farebox recovery, which has historically been defined as “revenues derived from taxes imposed by the operator or by a county transportation commission created pursuant to Division 12 of the Public Utilities Code.” Beginning in FY 2016/17, the definition of local support was expanded to include “non-federal and non-state grant funds or other revenues generated by, earned by, or distributed to an operator.”³ However, we do not believe the County’s contribution qualifies as “local support” under these new guidelines.

Reporting these revenues as “Special Transit Fares” in the State Controller Report automatically includes them as part of the farebox recovery ratio calculation, greatly exaggerating the farebox recovery ratio in that report. The City’s TDA audit correctly utilized other local funds as farebox supplementation, resulting in lower farebox recovery ratios, although these ratios still exceeded the target of 10 percent for rural transit services.

Cause: A lack of understanding regarding how the County’s contribution is to be reported (based on the State Controller’s Uniform System of Accounts) is the likely cause of the misreporting.

Effect: Misreporting these funds on the State Controller Report leads to the mistaken conclusion that the City is performing well above the minimum farebox recovery ratio standard.

Recommendation: Report County contributions appropriately on the State Controller Report so that they are not counted as fare revenue in the farebox recovery ratio calculation.

Recommended Action(s): The City should ensure County contributions are being reported to the State Controller as General Operating Assistance, not Special Transit Fares. If necessary, contact the State Controller’s Office to determine how the revenues should be reported.

³ Section 99268.19 of TDA Article 4, Fare Box Revenues Supplementation.
**Timeline:** FY 2018/19.

**Anticipated Cost:** Negligible.

**Functional Finding 3: The County contribution is incorrectly excluded from Operating Cost in the TDA fiscal auditor’s farebox recovery ratio calculation.**

**Criteria:** PUC 99245 requires all claimants undergo an annual fiscal audit. The audit report is to include a “certification that the funds allocated to the claimant...were expended in conformance with applicable laws and rules and regulations.” This typically involves the inclusion of an assessment of farebox recovery ratio compliance as part of the audit report.

In PUC 99247, the TDA defines operating cost as:

> ...All costs in the operating expense object classes exclusive of the costs in the depreciation and amortization expense object class of the uniform system of accounts and records adopted by the Controller pursuant to Section 99243. “Operating cost” excludes all subsidies for commuter rail services operated on railroad lines under the jurisdiction of the Federal Railroad Administration, all direct costs for providing charter services, all vehicle lease costs, and principal and interest payments on capital projects funded with certificates of participation.

PUC Section 99268.17 excludes certain expenses from the definition of “operating cost,” most of which are cost increases beyond changes the Consumer Price Index. Eligible expenses include comparable complementary paratransit service, fuel, alternative fuel programs, power, insurance premiums and payments in settlement of claims arising out of the operator’s liability, and startup costs for new services.

**Condition:** In FY 2015/16 and FY 2016/17, the City’s TDA fiscal auditor incorrectly excluded the County’s contribution from operating expenses in the calculation of farebox recovery ratio, identifying these costs as “directly reimbursable expenses.” This is not consistent with the TDA’s definition of operating cost. According to CCR 6634, this figure would be excluded from operating cost as part of the calculation of the maximum amount of TDA funds for which an operator is eligible, but that is a separate calculation from the farebox recovery ratio. When calculated correctly, this reduced the City’s farebox recovery ratio, although it did not fall below the 10 percent threshold.

<table>
<thead>
<tr>
<th></th>
<th>FY 2016</th>
<th>FY 2016 Adjusted</th>
<th>FY 2017</th>
<th>FY 2017 Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fares</td>
<td>$33,070</td>
<td>$33,070</td>
<td>$37,030</td>
<td>$37,030</td>
</tr>
<tr>
<td>Local support</td>
<td>$89,108</td>
<td>$89,108</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>$122,178</strong></td>
<td><strong>$122,178</strong></td>
<td><strong>$97,030</strong></td>
<td><strong>$97,030</strong></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>$843,756</td>
<td>$843,756</td>
<td>$849,257</td>
<td>$849,257</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-$96,681</td>
<td>-$96,681</td>
<td>-$113,523</td>
<td>-$113,523</td>
</tr>
<tr>
<td>County contribution</td>
<td>-$219,752</td>
<td>-$219,752</td>
<td>-$196,112</td>
<td>-</td>
</tr>
</tbody>
</table>
Net operating expenses | $516,323 | $747,075 | $539,622 | $735,734
---|---|---|---|---
Farebox recovery ratio | 23.66% | 16.35% | 17.98% | 13.19%

**Cause:** Confusion about allowable exemptions may be the cause of this error.

**Effect:** Farebox recovery ratio is incorrectly calculated as part of the compliance verification of the TDA fiscal audit.

**Recommendation:** Work with the City’s TDA fiscal auditor to ensure only allowable exclusions are used in the calculation of the farebox recovery ratio.

**Recommended Action(s):** Ensure the City’s TDA auditor is notified about this finding prior to their preparation of the FY 2018/19 fiscal audit so that farebox recovery ratio can be calculated correctly.

**Timeline:** FY 2019/20 (TDA fiscal audit for FY 2018/19).

**Anticipated Cost:** Negligible.

**Functional Finding 4: Operating Cost is reported inconsistently on various reports, including the City’s TDA fiscal audit, State Controller Report, and NTD report.**

**Criteria:** In PUC 99247, the TDA defines operating cost as:

> ...[A]ll costs in the operating expense object classes exclusive of the costs in the depreciation and amortization expense object class of the uniform system of accounts and records adopted by the Controller pursuant to Section 99243. “Operating cost” excludes all subsidies for commuter rail services operated on railroad lines under the jurisdiction of the Federal Railroad Administration, all direct costs for providing charter services, all vehicle lease costs, and principal and interest payments on capital projects funded with certificates of participation.

**Condition:** In FY 2015/16, the operating cost reported on the TDA fiscal audit was significantly different from that reported to the State Controller and NTD. In FY 2016/17, operating cost was significantly different on all reports. It is unclear as to whether depreciation was appropriately excluded on data reported to the State Controller. TDA fiscal audit data was used in Chapter 6 (Performance Analysis) as it correctly excluded depreciation.

**Cause:** The cause of this variance is unclear.

**Effect:** It can be difficult to determine the actual cost of operating the transit system when data is reported inconsistently.
**Recommendation:** Determine why Operating Cost is reported inconsistently among internal and external reports.

**Recommended Action(s):** Determine why operating cost is reported consistently and determine a strategy for ensuring accurate data is reported. If staggered reporting deadlines result in different information being reported, use prior years’ data to investigate what is causing the data to change so dramatically as it is finalized. Use this knowledge to minimize such significant variances in the future.

**Timeline:** FY 2019/20.

**Anticipated Cost:** Negligible.

---

**Exhibit 8.1 Summary of Audit Recommendations**

<table>
<thead>
<tr>
<th>TDA Compliance Recommendations</th>
<th>Importance</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Include local supplementation to bring the farebox recovery ratio above ten percent.</td>
<td>Medium</td>
<td>FY 2018/19</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Functional Recommendations</th>
<th>Importance</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Ensure vehicle depreciation is reported on the State Controller Reports.</td>
<td>Medium</td>
<td>FY 2018/19</td>
</tr>
<tr>
<td>2 Report County contributions appropriately on the State Controller Report so that they are not counted as fare revenue in the farebox recovery ratio calculation.</td>
<td>Medium</td>
<td>FY 2018/19</td>
</tr>
<tr>
<td>3 Work with the City’s TDA fiscal auditor to ensure only allowable exclusions are used in the calculation of the farebox recovery ratio.</td>
<td>Medium</td>
<td>FY 2019/20</td>
</tr>
<tr>
<td>4 Determine why Operating Cost is reported inconsistently among internal and external reports.</td>
<td>High</td>
<td>FY 2018/19</td>
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