City of Taft

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

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

City of Taft

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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 Taft 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 which it allocates TDA funds.

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

The City of Taft, located in the western portion of Kern County, covers an area just over 15.1 square miles. The Taft Area Transit (TAT) service area includes the city of Taft and the unincorporated communities of Ford City, South Taft, and Taft Heights. The service provides a combined general public/ADA complementary Dial-A-Ride service, as well as limited (three trips per day) fixed-route service to the neighboring city of Maricopa. 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 Taft met the test of compliance with respect to all Transportation Development Act (TDA) regulations:

1. The City does not calculate Full-time Equivalent (FTE) Employees for the State Controller Report using the TDA definition.

Status of Prior Recommendations

1. The City should continue to submit its State Controller Reports within the TDA-mandated timeframe.
   
   **Status:** Implemented.

2. The City should use the TDA definition of Full-Time Equivalent (FTE) employee for its State Controller Reporting.
   
   **Status:** Not implemented.

3. The City should undertake additional strategies to increase its farebox recovery ratio so that it is in compliance with the TDA-mandated 10 percent minimum.
   
   **Status:** Implemented.

4. The City should work with Kern COG to ensure claims for all available TDA funds have been filed.
   
   **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 Taft:

1. The City does not calculate Full-time Equivalent (FTE) Employees for the State Controller Report using the TDA definition.
Moore & Associates has identified two functional findings. While these findings do not affect TDA compliance, we believe they warrant inclusion within this audit:

1. The City does not distinguish within its fiscal audit reports which fare revenue funds are actual fare revenues and which are supplemental revenues required to meet farebox recovery ratio requirements.
2. The City has not filed its TDA claims for FY 2015/16, FY 2016/17, FY 2017/18, or FY 2018/19.

<table>
<thead>
<tr>
<th>TDA Compliance Recommendations</th>
<th>Importance</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Use the TDA definition in calculating FTE for reporting to the State Controller.</td>
<td>High</td>
<td>FY 2018/19</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Functional Recommendations</th>
<th>Importance</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 The City should work with its fiscal auditors (both for the City and for TDA) to clearly identify fare revenues separately from local supplementation in its audit reports.</td>
<td>Low</td>
<td>FY 2018/19</td>
</tr>
<tr>
<td>2 The City should work with Kern COG to ensure claims for all available TDA funds are filed in a timely manner.</td>
<td>Medium</td>
<td>FY 2019/20</td>
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</tbody>
</table>
Chapter 2

Review Scope and Methodology

The Triennial Performance Audit (TPA) of the City of Taft’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 seven 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 Taft 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 Taft 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 Taft 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 Taft city hall (209 East Kern Street, Taft 93268), on October 17, 2018. The site visit included interviews with Craig Jones (City Manager), Teresa Binkley (Finance Director), and Fred Bishop (Maintenance Shop Supervisor). A follow interview (via phone) was conducted with Tom Azbill (Transit Supervisor) on October 23, 2018.

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 Taft’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 Taft 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 Taft met the test of compliance with respect to all Transportation Development Act (TDA) regulations:

1. The City does not calculate Full-time Equivalent (FTE) Employees for the State Controller Report using the TDA definition.

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.
**City of Taft**  
*Triennial Performance Audit, FY 2015/16 - FY 2017/18*  
*Final Report*

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<th>Compliance</th>
<th>Comments</th>
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<tr>
<td>State Controller Reports submitted on time.</td>
<td>PUC 99243</td>
<td>In compliance</td>
<td>FY 2015/16: October 15, 2016</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>FY 2016/17: January 29, 2018</td>
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<td>FY 2017/18: January 31, 2019</td>
</tr>
<tr>
<td>Fiscal and compliance audits submitted within 180 days following the end of the fiscal year (or with up to 90-day extension).</td>
<td>PUC 99245</td>
<td>Not in compliance*</td>
<td>FY 2015/16: December 31, 2017</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>FY 2016/17: Not provided</td>
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<td></td>
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<td></td>
<td>FY 2017/18: Not provided</td>
</tr>
<tr>
<td>Operator’s terminal rated as satisfactory by CHP within the 13 months prior to each TDA claim.</td>
<td>PUC 99251 B</td>
<td>In compliance</td>
<td>February 26, 2015</td>
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<td></td>
<td></td>
<td></td>
<td>March 2, 2016</td>
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<td></td>
<td></td>
<td></td>
<td>March 16, 2017</td>
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<td></td>
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<td></td>
<td>March 15, 2018</td>
</tr>
<tr>
<td>Operator’s claim for TDA funds submitted in compliance with rules and regulations adopted by the RTPA.</td>
<td>PUC 99261</td>
<td>In compliance</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>PUC 99270.1</td>
<td>Not applicable</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>PUC 99405</td>
<td>Not applicable</td>
<td></td>
</tr>
<tr>
<td>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).</td>
<td>PUC 99266</td>
<td>In compliance</td>
<td>FY 2015/16: +7.09%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>FY 2016/17: -10.35%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>FY 2017/18: -3.57%</td>
</tr>
<tr>
<td>The operator’s definitions of performance measures are consistent with the Public Utilities Code Section 99247.</td>
<td>PUC 99247</td>
<td>Finding</td>
<td>The City uses vehicle service hours as the basis for its FTE calculation.</td>
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*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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<th>Reference</th>
<th>Compliance</th>
<th>Comments</th>
</tr>
</thead>
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<tr>
<td>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).</td>
<td>PUC 99268.2, 99268.4, 99268.1</td>
<td>Not applicable</td>
<td></td>
</tr>
</tbody>
</table>
| 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                | In compliance    | FY 2015/16: 48.31%  
FY 2016/17: 55.75%  
FY 2017/18: 17.7%                                                                 |
| 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    |                                                                                              |
| 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    | 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: $29,381 (Operating)  
FY 2017: $0 (Operating)  
FY 2018: $58,485 (Operating)  
Source: National Transit Database.                                                                 |
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.

<table>
<thead>
<tr>
<th>Compliance Element</th>
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<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>
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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 Taft 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. **The City should continue to submit its State Controller Reports within the TDA-mandated timeframe.**

   **Discussion:** Public Utilities Code Section 99243 requires transit operators in receipt of TDA Article 4 funds to submit annual reports to the State Controller within 90 days following the end of the fiscal year (110 days if filing electronically).

   In FY 2012/13, the City submitted its State Controller Report nearly a month late. Reports were submitted on time in the two subsequent years.

   The prior auditors recommended the City continue to monitor submittal of its State Controller Reports to ensure they are submitted within the established timeframe of 90 days following the end of the fiscal year (if submitting by mail) or 110 days (if submitting electronically).

   **Progress:** State Controller Reports submitted during the audit period were all submitted on time.

   **Status:** Implemented.

2. **The City should use the TDA definition of Full-Time Equivalent (FTE) employee for its State Controller Reporting.**

   **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.\textsuperscript{1}

The City has been calculating Full-Time Equivalent (FTE) employees using Vehicle Service Hours (VSH) divided by 2,000. This is not consistent with the TDA definition, which defines FTE as the total amount of time spent on transit activities divided by 2,000. These hours should include all work hours, regardless of department or title. This calculated figure should be reported in the State Controller Report under Employees.

The prior auditors recommended payroll records be used to document the total amount of time spent on transit, and that figure (divided by 2,000) be used to calculate FTE for reporting to the State Controller.

**Progress:** The City continues to use Vehicle Service Hours as the basis for its FTE calculation, as demonstrated by documentation provided by the City.

**Status:** Not implemented.

3. The City should undertake additional strategies to increase its farebox recovery ratio so that it is in compliance with the TDA-mandated 10 percent minimum.

**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.

Despite transitioning from a general public Dial-A-Ride to a more traditional two-tiered transit program during the last audit period, the City’s farebox recovery ratio has remained around four to five percent. This is significantly below the TDA threshold of 10 percent for non-urbanized operators.

During this audit period and in the time since, the City underwent a Transit Development Plan update and has made several service changes in an effort to improve its farebox recovery. This includes utilizing only general public Dial-A-Ride service on Fridays and a fare increase. However, the impact of these actions on farebox recovery has yet to be determined.

The prior auditors recommended the City continue to implement recommendations from the 2015 Transit Development Plan and closely monitor farebox recovery. Some of these recommendations include expansion of the marketing budget, consideration of transitioning to a private operations contractor, and providing fixed-route service during peak hours only. If fare revenue continues to fall short of the 10-percent threshold, the City should consider supplementing farebox with locally generated funds.

\textsuperscript{1} Transit Operators Financial Transactions Report Instructions, California State Controller’s Office, page 22.
Progress: The City has identified local funds and applied them to its farebox recovery ratio calculation. As a result, the farebox recovery ratio for FY 2015/16 and FY 2016/17 stood at 48.31 percent and 55.75 percent, respectively.

Status: Implemented.

4. The City should work with Kern COG to ensure claims for all available TDA funds have been filed.

Discussion: Eligible claimants must submit completed TDA claims in order to receive disbursement of TDA funds from Kern COG. The annual filing deadline is on or before April 1 prior to the start of the fiscal year for which the funds are being claimed.

At the end of the audit period, Kern COG held unclaimed TDA funds for FY 2014/15 and FY 2015/16 on behalf of the City of Taft. The City filed its FY 2014/15 claim on April 6, 2016, and intends to file its FY 2015/16 as soon as Kern COG can confirm its remaining balance. The funds will be available to the City as soon as claim forms are prepared and submitted. Achieving disbursement of these funds is a functional finding for both Kern COG and the City of Taft.

The prior auditors recommended the City complete any unfiled claims for TDA funds and submit to Kern COG.

Progress: Per KernCOG, the City has not submitted any claims for TDA funds since it filed its FY 2014/15 claim.

Status: Not implemented.
Chapter 5
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 Taft 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 the City’s fiscal audits.

- **Operating Cost**: Operating costs reported in FY 2015/16 were inconsistent, with a variance as great as 5.9 percent. In FY 2016/17, the costs reported to the NTD and State Controller were consistent, but varied from that reported in the City’s CAFR by 2.9 percent.

- **Fare Revenue**: Fare revenue reported in the City’s CAFR included local supplementation, while that reported to the other entities did not.

- **Vehicle Service Hours**: In FY 2015/16, VSH as documented on monthly performance reports and as reported to the NTD was 11.4 percent higher than that reported to the State Controller. In FY 2016/17, the monthly performance reports and TOR were generally consistent, while the data reported to the NTD was approximately 4.3 percent lower. In FY 2017/18, the hours shown on the monthly performance report differed from what was reported to the NTD by a variance of 5.0 percent, but the NTD and State Controller Reports were consistent with one another.

- **Vehicle Service Miles**: In FY 2015/16, VSM was consistent between the monthly performance reports and the NTD report, but this metric was not reported on the TOR. In FY 2016/17, the data reported to the NTD was 13.8 percent lower than that reported internally and to the State Controller. In FY 2017/18, a variance of 16.0 percent was noted between the monthly performance reports and the NTD report, with the State Controller Report showing even fewer VSM.

- **Passengers**: In FY 2015/16, ridership reported to the State Controller was approximately 5.5 percent higher than that reported to the NTD or in monthly performance reports. In FY 2016/17, all reported data was consistent. In FY 2017/18, a variance of 4.9 percent was noted between the monthly performance reports and the NTD report (which was generally consistent with the State Controller Report).

- **Full-Time Equivalent Employees**: FTE was miscalculated each year of the audit period, but the City did not provide sufficient data to determine what the correct calculation would be using the TDA definition.
## Exhibit 5.1 Data Reporting Consistency

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>System-Wide</th>
<th>FY 2015/16</th>
<th>FY 2016/17</th>
<th>FY 2017/18</th>
</tr>
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<tbody>
<tr>
<td>Operating Cost (Actual $)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of Taft CAFR</td>
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<tr>
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<td>$541,516</td>
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<tr>
<td>State Controller Report</td>
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<td>$653,989</td>
<td>$681,013</td>
<td></td>
</tr>
<tr>
<td>Fare Revenue (Actual $)</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of Taft CAFR</td>
<td>$345,695</td>
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<tr>
<td>Vehicle Service Hours (VSH)</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Monthly Performance Reports</td>
<td>12,643</td>
<td>9,142</td>
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<td>State Controller Report</td>
<td>11,354</td>
<td>9,042</td>
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<tr>
<td>Vehicle Service Miles (VSM)</td>
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<td>State Controller Report</td>
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<td>73,366</td>
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<tr>
<td>Passengers</td>
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<td></td>
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<td></td>
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<tr>
<td>Monthly Performance Reports</td>
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<td>National Transit Database</td>
<td>40,804</td>
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<td>State Controller Report</td>
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<tr>
<td>Full-Time Equivalent Employees</td>
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<td></td>
<td></td>
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<tr>
<td>State Controller Report</td>
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<td>6</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>
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 interrelationships 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:

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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. 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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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 Taft, 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 is not consistent with the TDA definition (hours worked divided by 2,000), as it is calculated by dividing Vehicle Service Hours by 2,000.

System Performance Trends

Operating cost has steadily been decreasing across the past six years, for a net decrease of 37.6 percent. Fare revenue, except for a drop in FY 2014/15, has been rising, for a net increase of 52.4 percent. This has resulted in a fairly steady improvement to the farebox recovery ratio, which rose to 9.2 percent (unsupplemented) in FY 2017/18. However, the more dramatic decrease in operating cost was accompanied by corresponding decreased in vehicle service hours and vehicle service miles, so several efficiency metrics (such as cost/VSH and cost/VSM) did not improve. However, given a steady increase in passengers accompanied those decreases in VSM and VSH, other productivity metrics did improve.
## Exhibit 6.1  System Performance Indicators

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cost (Actual $)</td>
<td>$868,146</td>
<td>$729,344</td>
<td>$697,514</td>
<td>$690,654</td>
<td>$653,989</td>
<td>$681,013</td>
</tr>
<tr>
<td>Annual Change</td>
<td>-16.0%</td>
<td>-4.4%</td>
<td>-1.0%</td>
<td>-5.3%</td>
<td>4.1%</td>
<td></td>
</tr>
<tr>
<td>Fare Revenue (Actual $)</td>
<td>$32,869</td>
<td>$34,049</td>
<td>$29,821</td>
<td>$44,423</td>
<td>$47,898</td>
<td>$120,861</td>
</tr>
<tr>
<td>Annual Change</td>
<td>3.6%</td>
<td>-12.4%</td>
<td>49.0%</td>
<td>7.8%</td>
<td>152.3%</td>
<td></td>
</tr>
<tr>
<td>Vehicle Service Hours (VSH)</td>
<td>11,655</td>
<td>11,386</td>
<td>11,152</td>
<td>11,354</td>
<td>9,042</td>
<td>7,495</td>
</tr>
<tr>
<td>Annual Change</td>
<td>-2.3%</td>
<td>-2.1%</td>
<td>1.8%</td>
<td>-20.4%</td>
<td>-17.1%</td>
<td></td>
</tr>
<tr>
<td>Vehicle Service Miles (VSM)</td>
<td>131,278</td>
<td>127,907</td>
<td>128,713</td>
<td>126,372</td>
<td>98,346</td>
<td>73,366</td>
</tr>
<tr>
<td>Annual Change</td>
<td>-2.6%</td>
<td>0.6%</td>
<td>-1.8%</td>
<td>-22.2%</td>
<td>-25.4%</td>
<td></td>
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<tr>
<td>Passengers</td>
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<td>41,480</td>
<td>42,360</td>
<td>26,435</td>
<td>30,777</td>
<td>37,998</td>
</tr>
<tr>
<td>Annual Change</td>
<td>-7.7%</td>
<td>2.1%</td>
<td>-37.6%</td>
<td>16.4%</td>
<td>23.5%</td>
<td></td>
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<tr>
<td>Employees</td>
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<td>6</td>
<td>6</td>
<td>8</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Annual Change</td>
<td>0.0%</td>
<td>0.0%</td>
<td>33.3%</td>
<td>-25.0%</td>
<td>-33.3%</td>
<td></td>
</tr>
</tbody>
</table>

### Performance Indicators

- **Operating Cost/VSH (Actual $)**: $74.49, $64.06, $62.55, $60.83, $72.33, $90.86
  - Annual Change: -14.0%, -2.4%, -2.7%, 18.9%, 25.6%
- **Operating Cost/Passenger (Actual)**: $19.31, $17.58, $16.47, $26.13, $21.25, $17.92
  - Annual Change: -8.9%, -6.4%, 58.7%, -18.7%, -15.7%
- **Passengers/VSH**: 3.86, 3.64, 3.80, 2.33, 3.40, 5.07
  - Annual Change: -5.6%, 4.3%, -38.7%, 46.2%, 48.9%
- **Passengers/VSM**: 0.34, 0.32, 0.33, 0.21, 0.31, 0.52
  - Annual Change: -5.3%, 1.5%, -36.4%, 49.6%, 65.5% 142.3%
- **Farebox Recovery**: 3.8%, 4.7%, 4.3%, 6.4%, 7.3%, 17.7%
  - Annual Change: 23.3%, -8.4%, 50.4%, 13.9%, 142.3%
- **Hours/Employee**: 1942.5, 1897.7, 1858.7, 1,419.3, 1,507.0, 1873.8
  - Annual Change: -2.3%, -2.1%, -23.6%, 6.2%, 24.3%

### TDA Non-Required Indicators

- **Operating Cost/VSM**: $6.61, $5.70, $5.42, $5.47, $6.65, $9.28
  - Annual Change: -13.8%, -5.0%, 0.9%, 21.7%, 39.6%
- **VSM/VSH**: 11.26, 11.23, 11.54, 11.13, 10.88, 9.79
  - Annual Change: -0.3%, 2.7%, -3.6%, -2.3%, -10.0%
- **Fare/Passenger**: $0.73, $0.82, $0.70, $1.68, $1.56, $3.18
  - Annual Change: 12.3%, -14.2%, 138.7%, -7.4%, 104.4%

Sources: FY 2012/13 – FY 2014/15 data from prior Triennial Performance Audit.
FY 2015/16 – FY 2017/18 data from State Controller Reports.
FY 2016/17 Vehicle Service Miles from monthly performance reports.
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

Exhibit 6.11  System Fare/Passenger
Chapter 7

Functional Review

A functional review of the City of Taft’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 Taft 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 Taft, located in the western portion of Kern County, covers an area just over 15.1 square miles. The Taft Area Transit (TAT) service area includes Taft city limits as well as the unincorporated communities of Ford City, South Taft, and Taft Heights. The service provides a combined general public/ADA complementary Dial-A-Ride service, as well as limited (three trips per day) fixed-route service to the neighboring city of Maricopa. In addition, inter-community bus service is provided by Kern Transit, connecting Taft with other areas of Kern County, including Bakersfield. The communities of Derby Acres, Fellows, and McKittrick are not presently served by the City’s transit program due chiefly to very modest demand, and therefore a very high cost-benefit ratio.

The Maricopa-Taft route operates three trips per day, Monday through Friday, from 7:15 a.m. to 6:05 p.m. TAT does not operate on designated holidays.

Dial-A-Ride is a reservation-based, shared-ride service that operates within the City of Taft. The service is available to the general public. Dial-A-Ride hours of operation are Monday through Friday, 7:15 a.m. to 5:30 p.m. and Saturday, 8:15 a.m. to 5:30 p.m. Sunday service was eliminated April 1, 2018.

Fares are paid in cash, or by purchase of 12-trip passes. Fare structure as of December 2018 is outlined in the tables below.

<table>
<thead>
<tr>
<th>Type</th>
<th>Fare</th>
</tr>
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<tbody>
<tr>
<td>General</td>
<td>$2.50</td>
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<tr>
<td>General 12-Trip Pass</td>
<td>$25.00</td>
</tr>
<tr>
<td>Senior/ADA</td>
<td>$1.75</td>
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<td>Senior/ADA 12-Trip Pass</td>
<td>$17.50</td>
</tr>
<tr>
<td>Children under 5</td>
<td>Free (with paying adult)</td>
</tr>
<tr>
<td>ADA Attendant</td>
<td>Free (with paid registered ADA passenger)</td>
</tr>
</tbody>
</table>

Exhibit 7.1 TAT Dial-A-Ride Fares
General Management and Organization

The Transit Supervisor oversees the Transit program with oversight from the Taft City Manager and the Finance Department. The City Manager or Finance Director attend KernCOG TTAC meetings. The City Manager feels the transit program is adequately staffed, although the Maintenance Shop Supervisor noted he could use one additional mechanic (not dedicated to transit).

The Taft City Council is the governing body for the City’s transit service. Council meetings are held at City Hall (209 E. Kern Street) on the first and third Tuesdays of each month at 6:00 p.m. There is no citizen’s advisory council. The City Council has expressed concern about the farebox recovery ratio.

Service Planning

The Kern Council of Governments (RTPA) is responsible for transit planning for the City of Taft through the periodic development of a Short Range Transit Plan (SRTP) or Transit Development Plan (TDP). The most recent TDP was completed in April 2015. Several of the recommendations have been implemented, including a fare increase. While the TDP recommended the City modify its fixed-route service to peak hours, the City eliminated the fixed-route altogether and expanded its Dial-A-Ride program to serve the general public. There were several other recommendations included in the TDP but it is unknown whether they remain relevant give the changes in the City’s service delivery.

During FY 15/16, the City implemented a fare increase following the recommendations of the TDP. In March 2017, the City eliminated local fixed-route service and converted to a combined general public/ADA complementary Dial-A-Ride service.
Sunday service was eliminated April 1, 2018. However, meeting farebox revenue is still a concern so the City is considering reducing or eliminating Saturday service as well.

The City’s future goals include converting to an electric fleet and installing solar panels and electric vehicle charging stations at the Transit Center as well as reducing overall operating costs. The City is currently seeking grants that could assist with these goals.

Scheduling, Dispatch, and Operations
During the week, up to four vehicles are in service. Saturday service is provided using two vehicles. The fixed-route service to Maricopa operates three times daily on weekdays. All vehicles are cross-utilized. Dial-A-Ride service is reservation-based. There is one full-time dispatcher.

Total fare revenue for Dial-A-Ride is between $175 and $250 per day. Total fare revenue for the Maricopa route is between $4.00 and $14.00 per day.

Personnel Management and Training
The City currently has three full-time drivers and two part-time drivers; all are cross-trained. Drivers are represented by the Service Employees International Union (SEIU). All drivers are City employees, and are eligible for benefits based on the City’s compensation structure. All City employees are subject to the same personnel and discipline rules. There is no formal bid process and assignments are not seniority based. Work schedules rotate every three months.

The Taft City School District provides all driver training. The City does not hold regular safety meetings, due in part to the overtime cost for drivers to attend.

Administration
The Finance Director is responsible for grant writing and administration, payroll, annual budgeting for transit, and accounts payable. The City Clerk assists with grant writing as needed, and the City occasionally uses outside assistance for grants as well. The Finance Director handles all Section 5311 claims and Caltrans grants.

The budgeting process begins in March. The City Manager and Transit Supervisor have input on the transit budget, which is ultimately presented to and adopted by the City Council. Microsoft Excel is used for budgeting.

The City does not have an internal audit function but contracts with an outside auditor for its annual fiscal audits.

Risk management is handled by the Human Resources Director/Assistant City Manager. A disaster preparedness plan is in place and is managed by the County Fire Department.

Given the City’s transit service is provided in-house, there is no contract management required. Part-time City staff handles maintenance and cleaning of the Transit Center.
Payroll is based on physical timecards, which are submitted every two weeks. Timecards are approved by the Transit Supervisor and the City Manager before going to Finance for processing. Approximately 90 percent of employees utilize direct deposit.

Accounts payable is a separate function from purchasing. All goods/services are verified before payment is processed.

Procurement of two new cutaway buses (scheduled for delivery in December 2018) is handled by the Finance Director. These vehicles were purchased via the CalACT bid.

Marketing and Public Relations
The City’s primary promotional tool is its bilingual brochure (English/Spanish). Transit information is also available on the City’s website. The website is in English only, though the ADA/Senior Dial-A-Ride Application Form and Title VI Notice to the Public, Complaint Procedure, and Complaint Form are available for download in Spanish.

Maintenance
The City’s fleet consists of nine gas-powered vehicles: two Dodge Caravan minivans and seven Chevy cutaways. Two new cutaways are expected in December 2018 to replace the two oldest vehicles. All vehicles are cross-utilized. A fleet inventory is provided in Exhibit 7.4.

Maintenance is provided at the City’s garage. The City’s garage is an enclosed shop with three bays and is shared with other City vehicles. Its equipment includes a four-post lift, brake lathe, tire machine, and balancing machine. The parts room is secured, with only two maintenance staff having access. It is the City’s policy to keep very few (sometimes just one) of each item and replace it once that item is used, rather than maintaining and securing a large parts inventory.

Drivers maintain a daily vehicle log where they track mileage and any mechanical issues. The Transit Supervisor and Maintenance Shop Supervisor communicate daily regarding any reported issues and preventative maintenance needs. 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 (this is typically closer to 30 days).

All warranties and recalls are currently outsourced. The City’s fueling contract is with Brown & Wright and fuel is accessed with a key card.

The City has one transit center bus shelter, located at the corner of Fifth and Center. It serves Taft Transit as well as Kern Transit. All Taft transit vehicles are stored at the transit center/facility. It is maintained by City staff.
Exhibit 7.4  Fleet Inventory

<table>
<thead>
<tr>
<th>Agency ID #</th>
<th>Year</th>
<th>Make</th>
<th>Model</th>
<th>PAX</th>
<th>Fuel</th>
<th>Mileage</th>
<th>Status</th>
<th>Notes</th>
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</thead>
<tbody>
<tr>
<td>T-14</td>
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<td>Chevy</td>
<td>Eldoardo Aero Elite 270</td>
<td>18</td>
<td>Gas</td>
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<td>Active</td>
<td>Will be replaced in FY 17/18</td>
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<tr>
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<td>Eldoardo Aerolite 210</td>
<td>9</td>
<td>Gas</td>
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<td>Active</td>
<td>Will be replaced in FY 17/18</td>
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<td>Braun Entervan</td>
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<td>Gas</td>
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<td>Dodge</td>
<td>Braun Entervan</td>
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<td>Gas</td>
<td>12,979</td>
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<tr>
<td>T-21</td>
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<td>Eldoardo Aero Elite</td>
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<tr>
<td>T-22</td>
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<td>Chevy</td>
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<td>Gas</td>
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<td>T-23</td>
<td>2011</td>
<td>Chevy</td>
<td>Eldoardo Aero Elite</td>
<td>8</td>
<td>Gas</td>
<td>165,496</td>
<td>Active</td>
<td></td>
</tr>
<tr>
<td>T-24</td>
<td>2016</td>
<td>Chevy</td>
<td>Glaval Titan II</td>
<td>12</td>
<td>Gas</td>
<td>32,196</td>
<td>Active</td>
<td></td>
</tr>
<tr>
<td>T-25</td>
<td>2016</td>
<td>Chevy</td>
<td>Glaval Titan II</td>
<td>12</td>
<td>Gas</td>
<td>35,862</td>
<td>Active</td>
<td></td>
</tr>
</tbody>
</table>
City of Taft
Triennial Performance Audit, FY 2015/16 - FY 2017/18
Final Report

City of Taft gas-powered cutaway.

City of Taft Transit Center.

City of Taft gas-powered cutaway.

City of Taft Transit Center.
Vehicle yard at Transit Center.

Taft Area Transit Office.

Taft Transit lobby.

Taft Transit lobby.
Conclusions
With one exception, Moore & Associates finds the City of Taft 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 finding:

1. The City does not calculate Full-time Equivalent (FTE) Employees for the State Controller Report using the TDA definition.

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

1. The City does not distinguish within its fiscal audit reports which fare revenue funds are actual fare revenues and which are supplemental revenues required to meet farebox recovery ratio requirements.
2. The City has not filed its TDA claims for FY 2015/16, FY 2016/17, FY 2017/18, or FY 2018/19.

Program Recommendations
In completing this Triennial Performance Audit, Moore & Associates submits the following recommendations for the City of Taft. 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 does not calculate Full-time Equivalent (FTE) Employees for the State Controller Report using the TDA definition.

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.  

Condition: The City continues to calculate FTE using vehicle service hours rather than actual labor hours derived from payroll records or position allocations. This finding and recommendation are carried forward from the prior triennial performance audit.

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: Use the TDA definition in calculating FTE for reporting to the State Controller.

Recommended Action(s): Use payroll records to document the total amount of time spent on transit by all employees, and use that figure (divided by 2,000) to calculate FTE for reporting to the State Controller. This should include drivers and dispatchers as well as those who provide customer service, maintenance, reporting, grant preparation, administration, etc. If payroll data is not available, then the number of hours can be estimated based on the percentage of a position that is dedicated to transit. If necessary, City hours can be estimated based on the Transit FTE identified in the City’s staffing plan. An example of such a calculation is shown below.

<table>
<thead>
<tr>
<th>Qty</th>
<th>Annual hours</th>
<th>Transit FTE</th>
<th>Total Transit Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drivers (FT)</td>
<td>2</td>
<td>2,080</td>
<td>100%</td>
</tr>
<tr>
<td>Drivers (PT)</td>
<td>1</td>
<td>2,080</td>
<td>60%</td>
</tr>
<tr>
<td>Transit Supervisor</td>
<td>1</td>
<td>2,080</td>
<td>100%</td>
</tr>
<tr>
<td>Mechanic</td>
<td>1</td>
<td>2,080</td>
<td>30%</td>
</tr>
<tr>
<td>City Staff</td>
<td>2</td>
<td>2,080</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Total Hours</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TDA FTE (Hrs/2,000)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FTE should be rounded to the nearest whole number using the standard rules for rounding. It is important to be able to demonstrate how the figure was calculated and that it reflects the TDA definition.

Timeline: FY 2018/19.

Anticipated Cost: Negligible.

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Functional Finding 1: The City does not distinguish within its fiscal audit reports which fare revenue funds are actual fare revenues and which are supplemental revenues required to meet farebox recovery ratio requirements.

Criteria: PUC Section 99268.19 allows transit operators to supplement farebox revenues with locally generated funds in order to meet farebox recovery ratio requirements. In January 2016, Senate Bill 508 expanded the definition of local funds from tax-generated funds to any non-federal or non-state grant funds or other revenues.

Condition: In FY 2015/16 and FY 2016/17, the City began applying additional local revenues to its fare revenue, thereby resulting in farebox recovery ratios well in excess of the 10 percent requirement. However, this additional revenue is not reported as such on the State Controller Report or the NTD report, and City’s CAFR and TDA fiscal audits do not distinguish between actual fare revenues and this additional supplemental revenue when calculating the farebox recovery ratio for program compliance.

Cause: Combining this revenue information does not give an accurate accounting of how much revenue the transit system is actually generating.

Effect: As such, the City may not have a realistic picture of system productivity and cost-effectiveness.

Recommendation: The City should work with its fiscal auditors (both for the City and for TDA) to clearly identify fare revenues separately from local supplementation in its audit reports.

Recommended Action(s): Identifying these revenues separately on fiscal audits will provide a clearer picture of the revenues actually produced through fares as well as the extent to which the City has to supplement the system. These revenues should also be reported to the NTD and State Controller to the degree possible given the format of those reports.

Timeline: FY 2018/19.

Anticipated Cost: Negligible.

Functional Finding 2: The City has not filed its TDA claims for FY 2015/16, FY 2016/17, FY 2017/18, or FY 2018/19.

Criteria: Eligible claimants must submit completed TDA claims in order to receive disbursement of TDA funds from Kern COG. The annual filing deadline is on or before April 1 prior to the start of the fiscal year for which the funds are being claimed.

Condition: At the end of the audit period, Kern COG held unclaimed TDA funds for FY 2014/15 and FY 2015/16 on behalf of the City of Taft. The City filed its FY 2014/15 claim on April 6, 2016, and intended to file its FY 2015/16 claim as soon as Kern COG could confirm its remaining balance. However, as of December 2018, no additional TDA claims had been filed with Kern COG.
Cause: Claims for TDA funds have not been filed in a timely manner. The reason for these delays is unclear.

Effect: Undisbursed TDA funds are not being used for the purpose intended, which is the operation of the City’s transit program.

Recommendation: The City should work with Kern COG to ensure claims for all available TDA funds are filed in a timely manner.

Recommended Action(s): The City should complete any unfiled claims for TDA funds and submit to Kern COG.


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 Use the TDA definition in calculating FTE for reporting to the State Controller.</td>
<td>High</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 The City should work with its fiscal auditors (both for the City and for TDA) to clearly identify fare revenues separately from local supplementation in its audit reports.</td>
<td>Low</td>
<td>FY 2018/19</td>
</tr>
<tr>
<td>2 The City should work with Kern COG to ensure claims for all available TDA funds are filed in a timely manner.</td>
<td>Medium</td>
<td>FY 2019/20</td>
</tr>
</tbody>
</table>