



FINAL REPORT
APRIL 2019

City of Tehachapi

Triennial Performance Audit FY 15/16 - 17/18



Kern Council of Governments

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

City of Tehachapi

Moore & Associates, Inc.

28159 Avenue Stanford, Suite 110

Valencia, CA 91355

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

The Tehachapi Dial-A-Ride is a curb-to-curb, general public, demand-response transit service owned and operated by Kern County, operating as Kern Transit (KT), within the Greater Tehachapi area, Golden Hills, and other adjacent unincorporated areas. Kern Transit also provides demand-response service within other cities and rural areas within Kern County.

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

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



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The Triennial Performance Audit includes five elements:

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

Test of Compliance

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

1. The City did not meet the 10 percent farebox recovery ratio requirement in FY 2015/16.

Status of Prior Recommendations

1. Implement a fare increase.
Status: Implemented.
2. Continue to implement recommendations set forth in the 2012 Transit Development Plan.
Status: Partially implemented.

Findings and Recommendations

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

1. The City did not meet the 10 percent farebox recovery ratio requirement in FY 2015/16.

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

1. In FY 2015/16 and FY 2016/17, the City did not calculate Full-time Equivalent (FTE) Employees for the State Controller Report using the TDA definition.
2. The City has recommendations from its 2012 Transit Development Plan that have not been implemented as recommended in the prior triennial performance audit.



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Exhibit 8.1 Summary of Audit Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Continue to use local funds to supplement fare revenue to ensure attainment of the 10 percent farebox recovery ratio.	High	FY 2018/19
Functional Recommendations		Importance	Timeline
1	Continue to use the TDA definition in calculating FTE for reporting to the State Controller.	Medium	FY 2018/19
2	Reassess recommendations made in the 2012 TDP to determine if they remain relevant, and begin implementation of those deemed relevant.	Medium	FY 2019/20



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Chapter 2

Review Scope and Methodology

The Triennial Performance Audit (TPA) of the City of Tehachapi'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 Tehachapi 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.



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

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



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The methodology for this review included a site visit to Tehachapi city hall (115 South Robinson Street, Tehachapi 93561) on October 18, 2018. The site visit included an interview with Hannah Chung (Finance Director). A follow-up interview with Bob Neath, Irene Enriquez, and Norma Quintero (County of Kern) was conducted via phone on November 7, 2018. The County is the contract operator of the City's transit program.

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

1. The City did not meet the 10 percent farebox recovery ratio requirement in FY 2015/16.

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 taxed imposed by the operator or by a county transportation commission." Senate Bill 508 amended Section 99268.19 to read:

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

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

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



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Exhibit 3.1 Transit Development Act Compliance Requirements

Compliance Element	Reference	Compliance	Comments
State Controller Reports submitted on time.	PUC 99243	In compliance	FY 2015/16: October 17, 2016 FY 2016/17: December 12, 2017 FY 2017/18: January 17, 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 20, 2019 <i>With 90-day extension.</i>
Operator's terminal rated as satisfactory by CHP within the 13 months prior to each TDA claim.	PUC 99251 B	In compliance	October 16, 2014 October 15, 2015 October 21, 2016 October 13, 2017 (Unsatisfactory) January 23, 2018
Operator's claim for TDA funds submitted in compliance with rules and regulations adopted by the RTPA.	PUC 99261	In compliance	
If operator serves urbanized and non-urbanized areas, it has maintained a ratio of fare revenues to operating costs at least equal to the ratio determined by the rules and regulations adopted by the RTPA.	PUC 99270.1	Not applicable	
An operator receiving allocations under Article 8(c) may be subject to regional, countywide, or subarea performance criteria, local match requirements, or fare recovery ratios adopted by resolution of the RTPA.	PUC 99405	Not applicable	
The operator's operating budget has not increased by more than 15% over the preceding year, nor is there a substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities unless the operator has reasonably supported and substantiated the change(s).	PUC 99266	In compliance	FY 2015/16: +10.28% FY 2016/17: +9.18% FY 2017/18: +2.92% <i>Source: FY 2015-FY 2017 State Controller Reports.</i>
The operator's definitions of performance measures are consistent with the Public Utilities Code Section 99247.	PUC 99247	In compliance	As of FY 2017/18, the City began using the TDA definition of Full-time Equivalent employee.

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Compliance Element	Reference	Compliance	Comments
If the operator serves an urbanized area, it has maintained a ratio of fare revenues to operating cost at least equal to one-fifth (20 percent).	PUC 99268.2, 99268.4, 99268.1	Not applicable	
If the operator serves a rural area, it has maintained a ratio of fare revenues to operating cost at least equal to one-tenth (10 percent).	PUC 99268.2, 99268.4, 99268.5	Finding	FY 2015/16: 2.35% FY 2016/17: 10.67% FY 2017/18: 10.92% <i>Source: TDA Fiscal Audits, FY 2016-FY 2018.</i>
For a claimant that provides only services to elderly and handicapped persons, the ratio of fare revenues to operating cost shall be at least 10 percent.	PUC 99268.5, CCR 6633.5	Not applicable	
The current cost of the operator's retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing a plan approved by the RTPA, which will fully fund the retirement system for 40 years.	PUC 99271	In compliance	City 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: \$43,887 (Operating) FY 2017: \$40,281 (Operating) FY 2018: \$37,993 (Operating) <i>Source: National Transit Database.</i>
In order to use State Transit Assistance funds for operating assistance, the operator's total operating cost per revenue hour does not exceed the sum of the preceding year's total plus an amount equal to the product of the percentage change in the CPI for the same period multiplied by the preceding year's total operating cost per revenue hour. An operator may qualify based on the preceding year's operating cost per revenue hour or the average of the three prior years. If an operator does not meet these qualifying tests, the operator may only use STA funds for capital purposes.	PUC 99314.6	Potentially not in compliance [^]	During the audit period, the City may not have been eligible to use STA funding for operating assistance each year. However, the City is not required to demonstrate eligibility as part of its TDA claim.

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

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



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Chapter 4

Prior Recommendations

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

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

1. Implement a fare increase.

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 has consistently been below the TDA-mandated 10 percent farebox recovery ratio for at least 10 years, and implementation of a fare increase was recommended in the prior Triennial Performance Audit. In the past, the City has indicated a reluctance to move forward with a fare increase independent of Kern Transit. However, other strategies intended to improve the farebox recovery ratio (additional marketing and introduction of Saturday service) have not had the desired effect on ridership. In addition, Kern Transit completed a fare study in FY 2015/16, so the timing may be ideal to implement a fare increase for Tehachapi Dial-A-Ride in conjunction with other Kern Transit fare adjustments.

The prior auditors recommended the City work in concert with Kern Transit to implement a fare increase of no less than 25 cents, as set forth in the prior audit. Should a greater fare increase be necessary, the City may wish to phase it over multiple years to reduce the impact on customers.

Progress: In July 2016, Kern Transit implemented a fare increase on its fixed-route and Dial-A-Ride services, including Tehachapi Dial-A-Ride. The fare increase was the result of a fare study completed by Kern Transit earlier that year. In Tehachapi, Dial-A-Ride fares increased from \$1.00 to \$2.00 for general public riders, and from \$0.75 to \$1.00 for reduced-fare riders.

Status: Implemented.



2. Continue to implement recommendations set forth in the 2012 Transit Development Plan.

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

The City has yet to fully implement recommendations set forth in the 2012 TDP. The prior Triennial Performance Audit also recommended implementation of the marketing and outreach plan contained within that document. The service implementation plan contained within the TDP included a phased fare increase, reduction of weekday vehicle service hours by two hours, and development of a new transit brochure during Year One. While Kern Transit has updated its marketing collateral (which includes Tehachapi Dial-A-Ride as part of its East Kern services), developed service brochures, reduced weekday vehicle service hours, and introduced Saturday service, other recommendations had yet to be implemented.

The prior auditors recommended the City continue implementing recommendations from the 2012 TDP as appropriate. Should the remaining recommendations be deemed no longer relevant, a new guiding document should be developed.

Progress: The Kern Transit fare increase took effect in FY 2016/17 (though it was not phased and had a discounted fare that was lower than recommended). Other TDP recommendations remain unimplemented.

Status: Partially 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 Tehachapi 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.

Data reported on the fiscal audit, State Controller Report, and NTD report are highly consistent.

In FY 2015/16 and FY 2016/17, Full-time Equivalent Employees reflected a person-count of the drivers and did not include City staff. The City did provide internal transit-related City FTE for FY 2017/18, and the FTE reported to the State Controller reflects the TDA definition.



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Exhibit 5.1 Data Reporting Consistency

Performance Measure	System-Wide		
	FY 2015/16	FY 2016/17	FY 2017/18
Operating Cost (Actual \$)			
<i>TDA Fiscal Audit</i>	\$203,452	\$224,557	\$262,565
<i>National Transit Database</i>	\$203,452	\$216,608	\$262,563
<i>State Controller Report</i>	\$203,451	\$216,608	\$262,565
Fare Revenue (Actual \$)			
<i>TDA Fiscal Audit</i>	\$4,783	\$5,068	\$7,064
<i>National Transit Database</i>	\$4,792	\$5,068	\$7,064
<i>State Controller Report</i>	\$4,783	\$5,068	\$7,064
Vehicle Service Hours (VSH)			
<i>Monthly Performance Reports</i>	2,163	2,149	2,207
<i>National Transit Database</i>	2,161	2,149	2,207
<i>State Controller Report</i>	2,161	2,149	2,204
Vehicle Service Miles (VSM)			
<i>Monthly Performance Reports</i>	24,999	22,921	18,329
<i>National Transit Database</i>	24,999	22,921	18,331
<i>State Controller Report</i>	24,999	22,921	18,331
Passengers			
<i>Monthly Performance Reports</i>	5,348	4,637	6,357
<i>National Transit Database</i>	5,243	4,637	6,368
<i>State Controller Report</i>	5,243	4,637	6,368
Full-Time Equivalent Employees			
<i>State Controller Report</i>	2	2	4



Chapter 6

Performance Analysis

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

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

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

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

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

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

Operating Cost

The Transportation Development Act requires an operator to track and report transit-related costs reflective of the Uniform System of Accounts and Records developed by the State Controller and the California Department of Transportation. The most common method for ensuring this occurs is through a compliance audit report prepared by an independent auditor in accordance with California Code of Regulations Section 6667¹. 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.

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- 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.² 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.)

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.



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TDA Required Indicators

To calculate the TDA indicators for the City of Tehachapi, 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). However, given the modest size of the City's program, it is likely that the actual figure reported is correct due to rounding.

System Performance Trends

Operating cost has increased steadily for six years, a total of 53 percent between FY 2012/13 and FY 2017/18, with the greatest increase (21.2 percent) in FY 2017/18. Overall, fare revenue saw a net increase of 64.2 percent across the six-year period, though there was a fairly significant drop in fare revenue (16.6 percent) in FY 2015/16.

Vehicle service hours experienced a 7.1 percent increase in FY 2014/15, but have remained relatively static ever since. Vehicle service miles peaked in FY 2014/15 and decreased 32.2 percent between FY 2014/15 and FY 2017/18. Like vehicle service miles, ridership peaked in FY 2014/15 and decreased 34.3 percent between FY 2014/15 and FY 2016/17 before rebounding in FY 2017/18 (a 37.3 percent increase). Overall, ridership experienced a net 7.4 percent increase across the six-year period. The fare increase in July 2016 may have had some bearing on the initial decrease in ridership, but the decline started well before the fare increase was introduced.

Cost-related metrics generally increased during the audit period (which is negative), as did productivity metrics (which is positive). However, fare per passenger increased 52.1 percent across the six-year period.

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Exhibit 6.1 System Performance Indicators

Performance Measure	System-wide					
	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
Operating Cost (Actual \$)	\$171,642	\$183,382	\$197,247	\$203,451	\$216,608	\$262,565
<i>Annual Change</i>		6.8%	7.6%	3.1%	6.5%	21.2%
Fare Revenue (Actual \$)	\$4,302	\$4,964	\$5,737	\$4,783	\$5,068	\$7,064
<i>Annual Change</i>		15.4%	15.6%	-16.6%	6.0%	39.4%
Vehicle Service Hours (VSH)	2,029	2,015	2,159	2,161	2,149	2,204
<i>Annual Change</i>		-0.7%	7.1%	0.1%	-0.6%	2.6%
Vehicle Service Miles (VSM)	25,139	26,375	27,027	24,999	22,921	18,331
<i>Annual Change</i>		4.9%	2.5%	-7.5%	-8.3%	-20.0%
Passengers	5,929	5,663	7,058	5,243	4,637	6,368
<i>Annual Change</i>		-4.5%	24.6%	-25.7%	-11.6%	37.3%
Employees	0	0	0	2	2	4
<i>Annual Change</i>		0.0%	0.0%	200.0%	0.0%	100.0%
Performance Indicators						
Operating Cost/VSH (Actual \$)	\$84.59	\$91.01	\$91.36	\$94.15	\$100.79	\$119.13
<i>Annual Change</i>		7.6%	0.4%	3.0%	7.1%	18.2%
Operating Cost/Passenger (Actual)	\$28.95	\$32.38	\$27.95	\$38.80	\$46.71	\$41.23
<i>Annual Change</i>		11.9%	-13.7%	38.9%	20.4%	-11.7%
Passengers/VSH	2.92	2.81	3.27	2.43	2.16	2.89
<i>Annual Change</i>		-3.8%	16.3%	-25.8%	-11.1%	33.9%
Passengers/VSM	0.24	0.21	0.26	0.21	0.20	0.35
<i>Annual Change</i>		-9.0%	21.6%	-19.7%	-3.5%	71.7%
Farebox Recovery	2.5%	2.7%	2.9%	2.4%	2.3%	2.7%
<i>Annual Change</i>		8.0%	7.4%	-19.2%	-0.5%	15.0%
Hours/Employee				1,080.5	1,074.5	551.0
<i>Annual Change</i>					-0.6%	-48.7%
TDA Non-Required Indicators						
Operating Cost/VSM	\$6.83	\$6.95	\$7.30	\$8.14	\$9.45	\$14.32
<i>Annual Change</i>		1.8%	5.0%	11.5%	16.1%	51.6%
VSM/VSH	12.39	13.09	12.52	11.57	10.67	8.32
<i>Annual Change</i>		5.6%	-4.4%	-7.6%	-7.8%	-22.0%
Fare/Passenger	\$0.73	\$0.88	\$0.81	\$0.91	\$1.09	\$1.11
<i>Annual Change</i>		20.8%	-7.3%	12.2%	19.8%	1.5%

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

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Exhibit 6.2 System Ridership

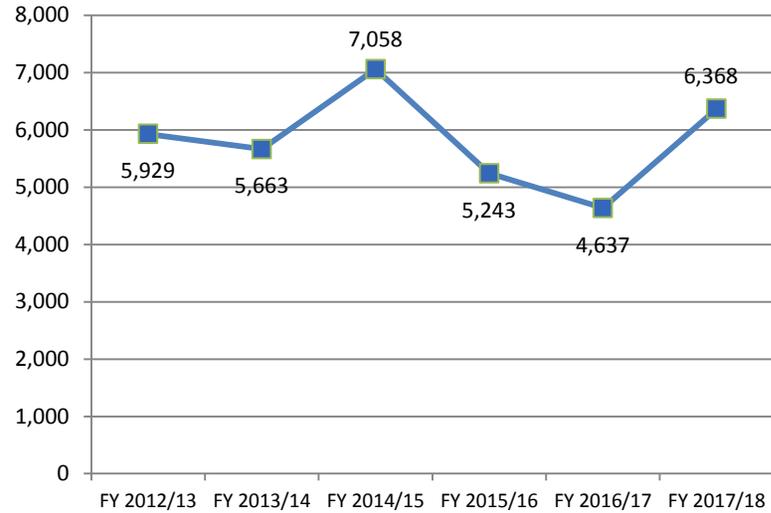


Exhibit 6.3 System Operating Cost/VSH

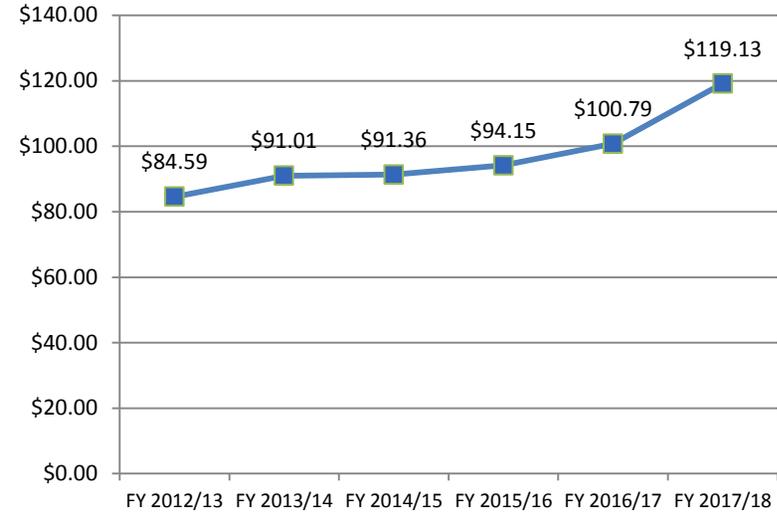


Exhibit 6.4 System Operating Cost/VSM

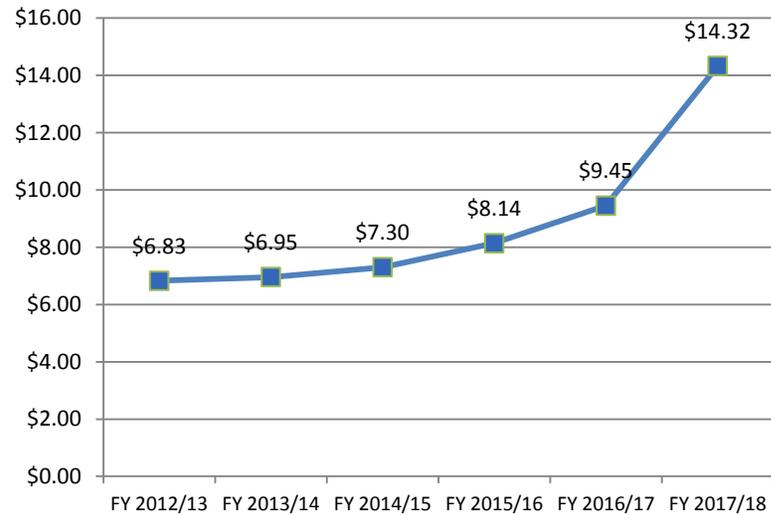
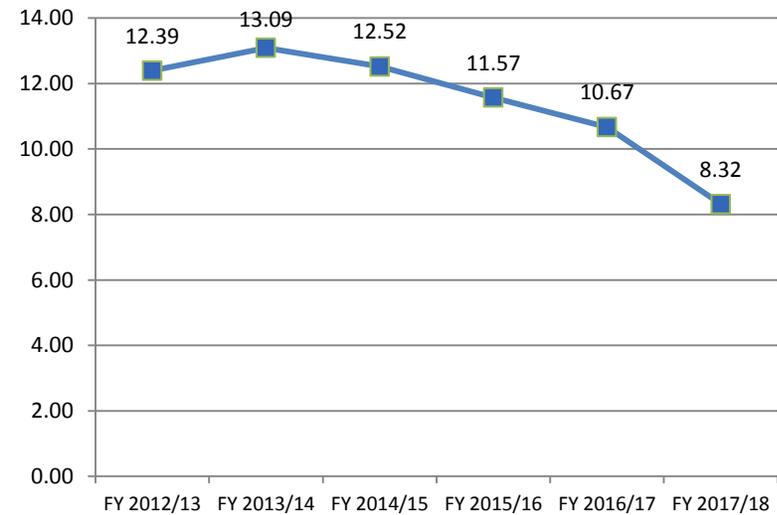


Exhibit 6.5 System VSM/VSH



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Exhibit 6.6 System Operating Cost/Passenger

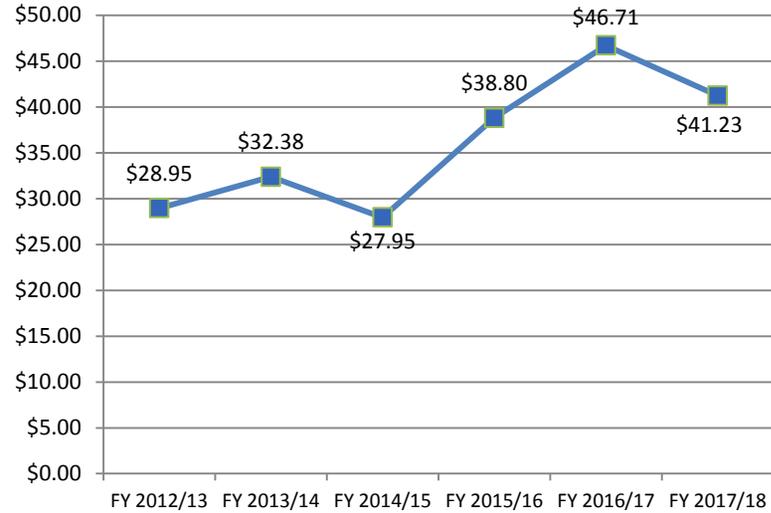


Exhibit 6.7 System Passengers/VSH

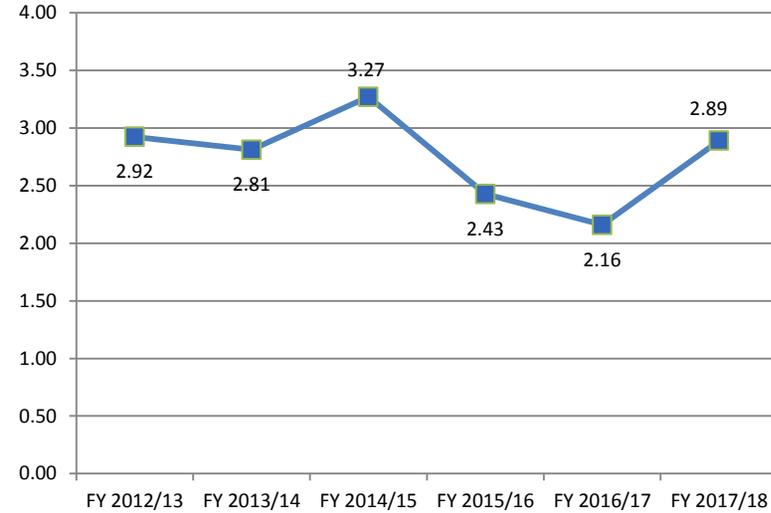


Exhibit 6.8 System Passengers/VSM

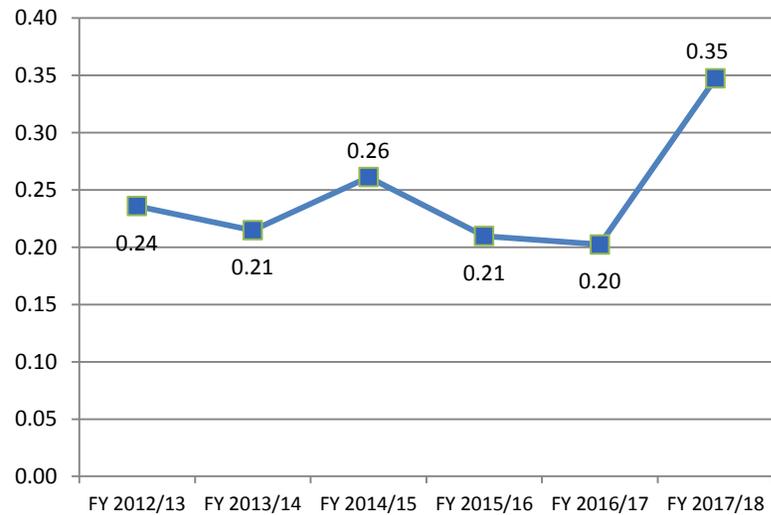
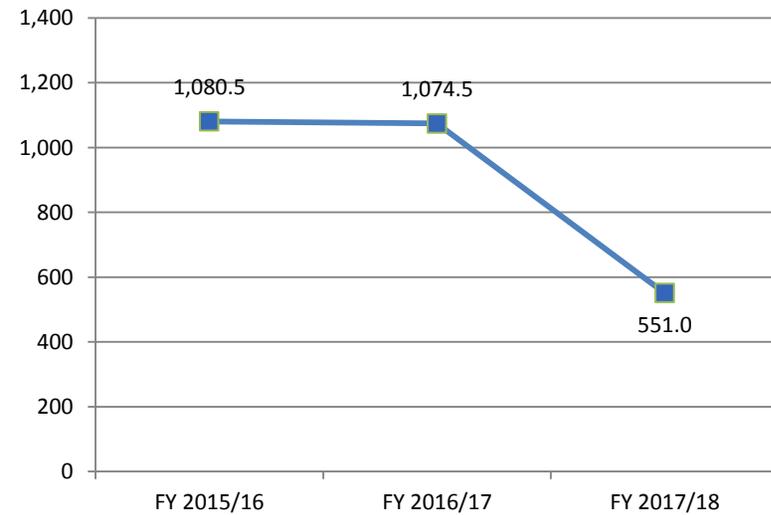


Exhibit 6.9 System VSH/FTE



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Exhibit 6.10 System Farebox Recovery

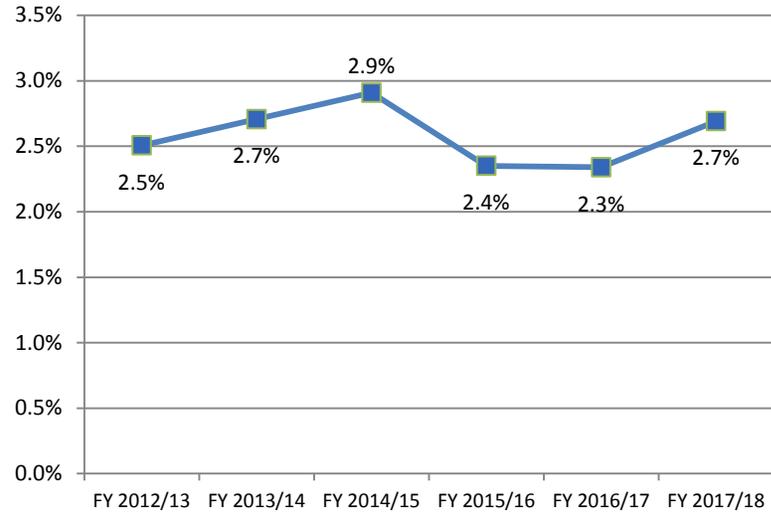
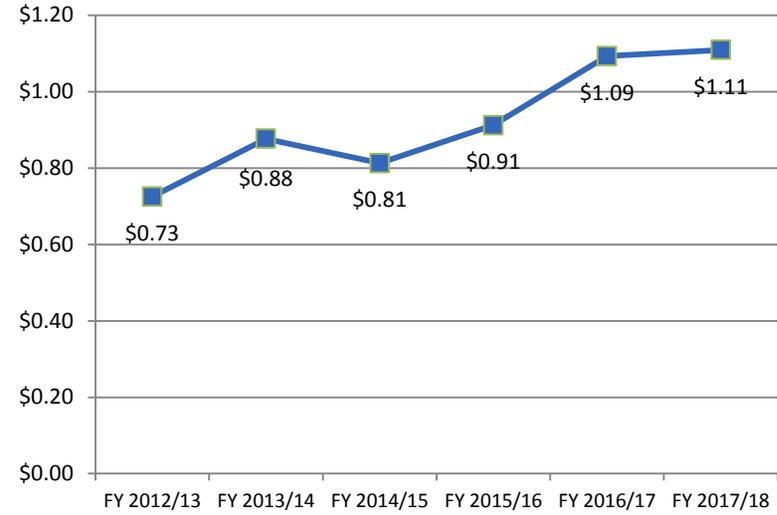


Exhibit 6.11 System Fare/Passenger



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Chapter 7

Functional Review

A functional review of the City of Tehachapi’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 Tehachapi 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

Tehachapi Dial-A-Ride is a curb-to-curb, general public, demand-responsive transit service operated under contract by Kern Transit within Tehachapi and adjacent unincorporated areas. Kern Transit also provides demand-response service for other cities and rural areas within Kern County. The Tehachapi service area boundary includes the area within Tehachapi city limits as well as the unincorporated community of Golden Hills located about four miles to the west.

Dial-a-Ride operates Monday through Friday from 5:45 a.m. to 7:00 p.m., and Saturday from 7:30 a.m. to 5:30 p.m. Service is provided within the communities of Tehachapi, Old Towne, and Golden Hills. Trips are provided on a first-come, first-served basis. Reservations are required at least one day in advance to guarantee a ride and can be made no more than two weeks in advance. Dial-a-Ride does not operate on Sunday or designated holidays.

Tehachapi Dial-a-Ride passengers may transfer to Kern Transit Route 100 (Bakersfield-Lancaster) at the Mulberry Bus stop. Route 100 operates Monday through Sunday between the communities of Bakersfield, Keene, Tehachapi, Mojave, Rosamond, and Lancaster. Passengers may transfer to other regional transit services in Bakersfield, Mojave, and Lancaster.

Exhibit 7.1 Tehachapi Dial-A-Ride Fare Structure

Zone	One-Way Fare
General Public	\$2.00
Seniors (62+)	\$1.00
Disabled	\$1.00
Youth (5-15)	\$1.00
Children 4 and under	Free



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General Management and Organization

Day-to-day operation of the City's transit program is provided by the County of Kern (Kern Transit). The County provides the City's Finance Director with monthly reports. The Finance Director, who reports to the City Manager, is responsible for filing TDA claims and reportings. The Finance Director sometimes attends KernCOG's TTAC and SSTAC meetings. Kern Transit and the City of Tehachapi jointly handle the Article 8 "unmet transit needs" public process.

The five-member Tehachapi city council is the City's principal policy-making body for the City's transit service. Council meetings are held at the Tehachapi Police Department Community Room (220 West C Street) on the first and third Mondays of each month at 6:00 p.m. There is no citizen's advisory committee. The city council has not expressed any particular concerns about the program.

Service Planning

The Kern Council of Governments (RTPA) is responsible for transit planning for the City of Tehachapi through the periodic development of a Short Range Transit Plan (SRTP) or Transit Development Plan (TDP). The most recent TDP was completed in June 2012. In conjunction with the County of Kern, the City implemented a fare increase and began Saturday service. The City also initiated more results-oriented marketing.

The City is building a park and ride lot on Tehachapi Blvd. Dial-A-Ride service will be used to connect the lot with the bus station, where riders can then connect with Kern Transit.

Scheduling, Dispatch, and Operations

The County's transit service (Kern Transit) is currently operated by National Express, which has held the contract since January 1, 2017. Prior to that point the service was operated by First Transit. Service in Tehachapi is provided with two vehicles per day utilizing two full-time drivers; schedules overlap during mid-day.

Dispatching is conducted out of three locations: Bakersfield, Mojave, and Lake Isabella. Three dispatchers are provided on different shifts. Dispatching for Tehachapi primarily takes place out of the Mojave office.

The County of Kern is responsible for collecting and depositing all fares, which are deducted from the City's monthly invoice. Fareboxes are removed every other day (Monday/Wednesday/Friday) and the vehicles probed by a contractor employee, who takes the fareboxes to Bakersfield. Fares are taken to the County, where staff reconciles cash fares with the report generated by the farebox system. Cash goes into the County's regular deposit.

Personnel Management and Training

Two full-time drivers are assigned to the Tehachapi service. Kern Transit drivers are represented by the Teamsters union. Drivers bid on the Tehachapi service just like all other Kern Transit bids. The Tehachapi bid is kept separate; drivers who are driving for Tehachapi do not drive for other routes/services. However, there are others besides the two dedicated drivers who are familiar with the Tehachapi service.



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National Express handles driver recruitment. The contractor has done a good job in bringing in and training drivers, though the driver position does tend to be a high-turnover position. There has been much less turnover with respect to the Tehachapi drivers, who are experienced and know their passengers.

National Express provides all new and continuing driver training. Their in-house training programs can provide full training for a new recruit as well as appropriate training for experienced recruits. Safety meetings are conducted every month. Onboard software (DriveCam) helps to keep drivers accountable. Safety concerns/questions from drivers are addressed on a one-on-one basis.

Administration

The Finance Director handles annual budgeting for the transit program. The budget can undergo a mid-year adjustment if necessary. The budget is approved by the city council. All requests for transit grant funding are handled by the County.

Risk management is handled under the Finance Department. The City is self-insured and is a member of the Central San Joaquin Valley Risk Management Authority (RMA).

City staff is happy to contract out its transit services to the County of Kern, and the City has had no concerns with the operator. The Finance Director reviews and approves all County transit invoices.

Marketing and Public Relations

The City does not publish any service information beyond what is provided by Kern Transit. However, the City did put information in utility bills regarding its fare change, and theater advertising is also used. The City's monthly newsletter goes into every home in Tehachapi. The City's website also includes transportation information and provides a link to service information on Kern Transit's website.

The City has not conducted any recent survey of riders. If such a survey were needed, the County would handle it. The City has not received any transit-related complaints.

Maintenance

The County of Kern provides maintenance at its Bakersfield terminal. When maintenance is required, the vehicle is rotated out to Bakersfield and a replacement vehicle is provided for revenue service. The County tracks vehicle mileage, and the dispatcher in Bakersfield knows when a vehicle is getting close to its mileage for preventive maintenance. The vehicle will not be sent out if it will go over its allotted miles. Dispatch and maintenance are located on the same property in Bakersfield.

Buses used for the Tehachapi service are stored at Tehachapi Municipal Airport on City-owned property unless it needs to be brought back to Bakersfield for maintenance. The County does not have a dedicated vehicle for the Tehachapi service; any Kern Transit-branded Dial-A-Ride vehicle may be utilized. All vehicles are owned by the County of Kern.

The City has one bus shelter, which is located near the park and ride on Tehachapi Blvd.



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Chapter 8

Findings and Recommendations

Conclusions

With one exception, Moore & Associates finds the City of Tehachapi to be in compliance with the requirements of the Transportation Development Act.

Findings and Recommendations

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

1. The City did not meet the 10 percent farebox recovery ratio requirement in FY 2015/16.

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

1. In FY 2015/16 and FY 2016/17, the City did not calculate Full-time Equivalent (FTE) Employees for the State Controller Report using the TDA definition.
2. The City has recommendations from its 2012 Transit Development Plan that have not been implemented as recommended in the prior triennial performance audit.

Program Recommendations

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

Compliance Finding 1: The City did not meet the 10 percent farebox recovery ratio requirement in FY 2015/16.

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

Condition: In FY 2015/16, the City of Tehachapi achieved a farebox recovery ratio of 2.35 percent. In FY 2016/17 and FY 2017/18, the City applied local funds to supplement its fare revenue, resulting in farebox recovery ratios of 10.67 percent and 10.92 percent, respectively.

Cause: The City of Tehachapi has had a significant challenge with farebox recovery ratio for many years.

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



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Recommendation: Continue to use local funds to supplement fare revenue to ensure attainment of the 10-percent farebox recovery ratio.

Recommended Action(s): The City should continue to use local funds to supplement its fare revenue unless/until other strategies can be identified to increase its farebox recovery ratio to 10 percent. Should the City move forward with the implementation of recommendations included in its 2012 TDP, some of those recommendation may have a positive impact on fare revenue, which would allow the City to decrease or eliminate local supplementation of its fare revenue.

Timeline: Ongoing.

Anticipated Cost: Varies depending on the fare shortfall each year.

Functional Finding 1: In FY 2015/16 and FY 2016/17, the City did not calculate Full-time Equivalent (FTE) Employees for the State Controller Report using the TDA definition.

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

Report the number of employee equivalents. Public Utilities Code section 99247(j) defines "Vehicle service hours per employee" as the vehicle service hours divided by the number of employees employed in connection with the public transportation system. Use the assumption that 2,000 person-hours of work in one year constitutes one employee. 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.³

Condition: The City stated during the site visit that it had been using a driver count as its Full-time Equivalent Employee figure and has not included any City hours. This may have resulted in FTE data being reported incorrectly on the State Controller Report. In FY 2017/18, the City began calculating FTE properly, and reported this metric properly on its State Controller Report.

Cause: There may have been 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: Continue to use the TDA definition in calculating FTE for reporting to the State Controller.

³ Transit Operators Financial Transactions Report Instructions, updated October 2018, page 23.

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Recommended Action(s): We recommended the City 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. The City should request the number of hours worked on Tehachapi's Dial-A-Ride by Kern Transit drivers for use in calculating FTE. If necessary, City hours can be estimated based on the Transit FTE identified in the City's staffing plan. An example is shown below.

	Qty	Annual hours	Transit FTE	Total Transit Hours
Drivers	2	2,080	100%	4,160
City Staff	1	2,080	2%	41.6
City Staff	2	2,080	5%	208
City Staff	1	2,080	10%	208
City Staff	1	2,080	6%	124.8
Total Hours				4,742.4
FTE (Hrs/2,000)				2.4

FTE should be rounded to the nearest whole number using the standard rules for rounding. In some cases, this results in the same figure as if reporting person-count, as the additional hours comprise less than half of one FTE. However, it is still important to be able to demonstrate how the figure was calculated and that it reflects the TDA definition.

The City followed this recommendation in the preparation of the FY 2017/18 State Controller Report.

Timeline: FY 2018/19.

Anticipated Cost: Negligible.

Functional Finding 2: The City has recommendations from its 2012 Transit Development Plan that have not been implemented as recommended in the prior triennial performance audit.

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

Condition: The City, in conjunction with Kern Transit, implemented a fare increase in July 2016. While this did not exactly reflect the fare increase recommended in the TDP, it did result in an increase in fare revenue despite a decrease in ridership in FY 2016/17. This is likely due to the doubling of the general public fare, as reduced fares were only increased by 25 cents. The City also introduced Saturday service. Kern Transit also redesigned its service brochures. Little has been done to market the City's transit program, despite the inclusion of multiple marketing and outreach tactics included in the TDP.

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Cause: Given the City contracts out its transit program and provides little day-to-day hands-on direction, planning for transit can be given a low priority.

Effect: This can result in little action being taken toward the implementation of service recommendations, even those contained within a long-standing planning document.

Recommendation: Reassess recommendations made in the 2012 Transit Development Plan to determine if they remain relevant, and begin implementation of those deemed relevant.

Recommended Action(s): Given the TDP was completed more than six years ago and the City’s transit program has undergone some changes, it is possible that some of the recommendations included in the Plan are no longer relevant. However, marketing and outreach recommendations tend to remain “evergreen” regardless of when the recommendation was made. Therefore, the City and Kern Transit should reassess the 2012 recommendations and develop a plan of action for implementing those that remain relevant in an effort to increase fare revenue and the farebox recovery ratio. Alternately, Kern COG may determine a new TDP is warranted.

Timeline: FY 2020/21.

Anticipated Cost: Varies depending upon strategies implemented.

Exhibit 8.1 Summary of Audit Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Continue to use local funds to supplement fare revenue to ensure attainment of the 10 percent farebox recovery ratio.	High	FY 2018/19
Functional Recommendation		Importance	Timeline
1	Continue to use the TDA definition in calculating FTE for reporting to the State Controller.	Medium	FY 2018/19
2	Reassess recommendations made in the 2012 TDP to determine if they remain relevant, and begin implementation of those deemed relevant.	Medium	FY 2019/20

