



# TDA Triennial Performance Audit FY 2018/19 - FY 2020/21

## City of Shafter

Kern Council of Governments  
Final Report  
September 2023





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## Chapter 1 | Executive Summary

In Spring 2023, 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.

The California Public Utilities Code requires all recipients of Transit Development Act (TDA) Article 4 funding to undergo an independent performance audit on a three-year cycle in order to maintain 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 Shafter as a public transit operator, providing operator management with information on the economy, efficiency, and effectiveness of its programs across the prior three fiscal years. In addition to assuring legislative and governing bodies (as well as the public) that resources are being economically and efficiently utilized, the Triennial Performance Audit fulfills the requirement of PUC Section 99246(a) that the RTPA designate an entity other than itself to conduct a performance audit of the activities of each operator to whom it allocates funds.

This chapter summarizes key findings and recommendations developed during the Triennial Performance Audit (TPA) of the City of Shafter's public transit program for the period:

- Fiscal Year 2018/19,
- Fiscal Year 2019/20, and
- Fiscal Year 2020/21.

The City of Shafter operates Shafter Transit, a curb-to-curb Dial-A-Ride service available to the general public. The service operates within Shafter city limits. Service is available on weekdays from 8:00 a.m. through 4:30 p.m. and Saturdays from 10:00 a.m. through 3:30 p.m. The service does not operate on Sunday or designated holidays.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that 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. The audit team concludes the evidence obtained provides a reasonable basis for its 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,
- Prior recommendations,
- Analysis of program data reporting,
- Performance Audit, and
- Functional review.

#### Test of Compliance

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

1. State Controller Reports were submitted after the established deadline in FY 2019/20 and FY 2020/21.
2. TDA fiscal audits were complete after the allowable extended deadline in FY 2019/20 and FY 2020/21.
3. Full-time equivalent (FTE) employees does not appear to include any non-driver work hours.

#### Status of Prior Recommendations

The prior audit – completed in April 2019 by Moore & Associates, Inc. for the three fiscal years ending June 30, 2018 – included no recommendations.

#### Findings and Recommendations

Based on discussions with the City of Shafter staff, analysis of program performance, and a review of program compliance and function, the audit team submits the aforementioned compliance findings for the City of Shafter:

1. State Controller Reports were submitted after the established deadline in FY 2019/20 and FY 2020/21.
2. TDA fiscal audits were complete after the allowable extended deadline in FY 2019/20 and FY 2020/21.
3. Full-time equivalent (FTE) employees does not appear to include any non-driver work hours.

The audit team has identified three functional findings. While these findings are not compliance findings, the audit team believes they warrant inclusion in this report:

1. The City has yet to complete its Zero-Emission Bus Rollout Plan (as required by CARB).
2. The City's transit website contains outdated information.
3. The City is at risk of falling below the 10 percent farebox recovery ratio threshold when the penalty waivers end in FY 2023/24.



In completing this Triennial Performance Audit, the audit team submits the following recommendations for the City’s public transit program. They have been 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 triennial audit that are not specific to TDA compliance.

Exhibit 1.1 Summary of Audit Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Ensure future State Controller Reports are submitted prior to the January 31 deadline.	High	FY 2023/24
2	Work with City and TDA auditors to ensure the TDA fiscal audit can be completed no later than March 31.	High	FY 2023/24
3	Ensure all transit-related work hours are included in the FTE calculation.	Medium	FY 2023/24
Functional Recommendations		Importance	Timeline
1	The City should prepare its Zero-Emission Bus Rollout Plan as soon as possible and submit to CARB.	High	FY 2023/24
2	Update the transit website to accurately reflect transit service offerings.	Medium	FY 2023/24
3	Ensure in future years the farebox recovery ratio is at least 10 percent, even if use of supplemental funds is necessary.	High	FY 2023/24

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## Chapter 2 | Audit Scope and Methodology

The Triennial Performance Audit (TPA) of the City of Shafter’s public transit program covers the three-year period ending June 30, 2021. 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 funding eligibility.

In Spring 2023, 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, Inc. is a consulting firm specializing in public transportation, including audits of non-TDA Article 4 recipients. Selection of Moore & Associates, Inc. followed a competitive procurement process.

The Triennial Performance Audit is designed to be an independent and objective evaluation of the City of Shafter 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 operator to whom it allocates funds.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that 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. The auditors believe 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 (TPA) has four primary objectives:

1. Assess compliance with TDA regulations;
2. Review improvements subsequently implemented as well as progress toward adopted goals;
3. Evaluate the efficiency and effectiveness of the transit operator; and
4. 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 Shafter included five tasks:

1. A review of compliance with TDA requirements and regulations.
2. A review of the status of recommendations included in the prior Triennial Performance Audit.
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. Comparison of data reporting practices:
  - Internal reports,
  - State Controller Reports, and
  - National Transit Database.
5. 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.
6. 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 Shafter 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;
- Most recent Short Range Transit Plan/Transit Development Plan;
- Monthly performance reports;
- State Controller Reports;
- NTD reports;
- Annual budgets;
- TDA fiscal audits;
- TDA claims;
- Transit marketing collateral;
- Fleet inventory;

- Preventive maintenance schedules and forms;
- California Highway Patrol Terminal Inspection Reports;
- Accident/road call logs;
- Customer complaint logs; and
- Organizational chart.

Given impacts of the ongoing COVID-19 pandemic, the methodology for this audit included a virtual site visit with City representatives on June 27, 2023. The audit team met with Roger Sanchez (Finance Director) and Rocio Mosqueda (Accounting Manager), and reviewed materials germane to the triennial audit.

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,
  - Status of prior recommendations,
  - Consistency among reported data,
  - Performance measures and trends,
  - Functional audit, and
  - Findings and recommendations.

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## Chapter 3 | Program Compliance

This section examines the City of Shafter’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 City 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.

Status of compliance items was determined through discussions with City staff as well as an inspection of relevant documents including the fiscal audits for each year of the triennium, State Controller annual filings, California Highway Patrol terminal inspections, National Transit Database reports, year-end performance reports, and other compliance-related documentation.

Three compliance issues were identified for the City of Shafter:

1. State Controller Reports were submitted after the established deadline in FY 2019/20 and FY 2020/21.
2. TDA fiscal audits were complete after the allowable extended deadline in FY 2019/20 and FY 2020/21.
3. Full-time equivalent (FTE) employees does not appear to include any non-driver work hours.

### Developments Occurring During the Audit Period

The FY 2018/19 – FY 2020/21 audit period was significantly different than prior audit periods. The impacts of the COVID-19 pandemic resulted in significant declines in ridership and revenue, while changes to the TDA provided compliance waivers and amended existing legislation. In many instances, transit operators strove to retain operations staff despite adopting a reduced schedule, resulting in significant changes to many cost-related performance metrics. While infusions of funding through the CARES Act mitigated some of the lost revenues for federally funded programs, many transit operators have yet to return to pre-pandemic ridership and fare levels. As a result, this Triennial Performance Audit will provide an assessment not only of how COVID-19 impacted the organization, but how it responded to the crisis.

In the 50 years since introduction of the Transportation Development Act, there have been many changes to public transportation in California. Many operators have faced significant challenges in meeting the farebox recovery ratio requirement, calling into question whether it remains the best measure for TDA compliance. In 2018, the chairs of California’s state legislative transportation committees requested the California Transit Association spearhead a policy task force to examine the TDA, which resulted in a draft framework for TDA reform released in early 2020. The draft framework maintains the farebox recovery ratio requirement, but eliminates financial penalties and allows more flexibility with respect to individual operator targets. These changes have yet to be implemented due to the COVID-19 pandemic.

Assembly Bill 90, signed into law on June 29, 2020, provided temporary regulatory relief for transit operators required to conform with Transportation Development Act (TDA) farebox recovery ratio thresholds in FY 2019/20 and FY 2020/21. Assembly Bill 149, signed into law on July 16, 2021, provided

additional regulatory relief by extending the provisions of AB 90 through FY 2022/23 and adjusting definitions of eligible revenues and operating costs. While the ability to maintain state mandates and performance measures is important, these measures enable transit operators to adjust to the impacts of COVID while continuing to receive their full allocations of funding under the TDA.

Together, these two pieces of legislation include the following provisions specific to transit operator TDA funding under Article 4 and Article 8. Only AB 90 was in effect during this audit period, though both assembly bills are detailed below.

AB 90 includes the following provisions specific to transit operator funding through the TDA:

1. It prohibits the imposition of the TDA revenue penalty on an operator that does not maintain the required ratio of fare revenues to operating cost during FY 2019/20 or FY 2020/21.
2. It requires the Controller to calculate and publish the allocation of transit operator revenue-based funds made pursuant to the State Transit Assistance (STA) Program for FY 2020/21 and FY 2021/22 based on the same individual operator ratios published by the Controller in a specified transmittal memo, and would authorize the Controller to revise that transmittal memo, as specified. It requires the Controller to use specified data to calculate those individual operator ratios. Upon allocation of the transit operator revenue-based funds to local transportation agencies pursuant to this provision, the Controller will publish the amount of funding allocated to each operator.
3. It exempts an operator from having to meet either of the STA efficiency standards for FY 2020/21 and FY 2021/22 and authorizes the operator to use those funds for operating or capital purposes during that period.
4. It requires the Controller to allocate State of Good Repair (SOGR) program funding for FY 2020/21 and FY 2021/22 to recipient transit agencies pursuant to the individual operator ratios published in the above-described transmittal memo.
5. It requires the Controller to allocate Low Carbon Transit Operations Program (LCTOP) funding for FY 2020/21 and FY 2021/22 to recipient transit agencies pursuant to the individual operator ratios published in the above-described transmittal memo.

Assembly Bill 149, signed into law on July 16, 2021 (and therefore not in effect during the audit period), provides additional regulatory relief with respect to Transportation Development Act (TDA) compliance. It extends the provisions of AB 90 through FY 2022/23 as well as provides additional regulatory relief including:

1. Waiving the annual productivity improvement requirement of Section 99244 through FY 2022/23.
2. Adding a temporary provision exempting operators from farebox recovery ratio requirements provided they expend at least the same amount of local funds as in FY 2018/19.
3. Expanding the definition of “local funds” to enable the use of federal funding, such as the CARES Act or CRRSAA, to supplement fare revenues and allows operators to calculate free and reduced fares at their actual value.
4. Adjusting the definition of operating cost to exclude the cost of ADA paratransit services, demand-response and micro-transit services designed to extend access to service, ticketing/payment systems, security, some pension costs, and some planning costs.



5. Allowing operators to use STA funds as needed to keep transit service levels from being reduced or eliminated through FY 2022/23.

AB 149 also calls for an examination of the triennial performance audit process, to ensure the practice continues to be effective and beneficial.

**Exhibit 3.1 Transit Development Act Compliance Requirements**

Compliance Element	Reference	Compliance	Comments
State Controller Reports submitted on time.	PUC 99243	Finding	FY 2018/19: November 21, 2019 FY 2019/20: March 16, 2021 FY 2020/21: February 18, 2022
Fiscal and compliance audits submitted within 180 days following the end of the fiscal year (or with up to 90-day extension).	PUC 99245	Finding	FY 2018/19: November 14, 2019 FY 2019/20: October 8, 2021 FY 2020/21: March 13, 2023
Operator’s terminal rated as satisfactory by CHP within the 13 months prior to each TDA claim.	PUC 99251 B	In compliance	October 12, 2017 December 4, 2018 December 4, 2019 January 19, 2021
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	
Except as otherwise provided, the allocation for any purpose specified under Article 8 may in no year exceed 50% of the amount required to meet the total planning expenditures for that purpose.	PUC 99405	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 2018/19: +6.12% FY 2019/20: - 2.10% FY 2020/21: +12.83%  <i>Source: TDA Claims, FY 2019 – FY 2021.</i>
The operator’s definitions of performance measures are consistent with the Public Utilities Code Section 99247.	PUC 99247	Finding	FTE does not appear to be calculated using the TDA definition.

Compliance Element	Reference	Compliance	Comments
The operator does not routinely staff with two or more persons a vehicle for public transportation purposes designed to be operated by one person.	PUC 99264	In compliance	
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 2018/19: 10.97% FY 2019/20: 12.77% (waiver) FY 2020/21: 6.11% (waiver)  <i>Source: TDA audits FY 2019 - FY 2021.</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 to participate in the City’s cost-sharing multiple employer defined benefit pension plan administered by 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 operating purposes according to a sliding scale.	PUC 99314.6	In compliance	

Compliance Element	Reference	Compliance	Comments
<p>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.</p>	<p>CCR 6634</p>	<p>In compliance</p>	

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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 Shafter has made quantifiable progress toward improving both the efficiency and effectiveness of its public transit program.

The prior audit – completed in April 2019 by Moore & Associates, Inc. for the three fiscal years ending June 30, 2018 – included no recommendations.

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## 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 Shafter both internally as well as to outside entities during the audit period.

Fare revenue was consistently reported among all sources. Performance data was generally consistent, though there were some slight variances that could not be explained. Significant discrepancies are noted below.

- **Operating cost:** Operating cost data reported to the State Controller in FY 2018/19 was consistent with the TDA fiscal audit, but both were slightly lower than what was reported to the NTD. In FY 2019/20, all three values were different, with a variance of 5.3 percent between the lowest and highest. In FY 2020/21, the data reported to the NTD and on the State Controller Report were very similar, but approximately 10 percent lower than what was reported in the TDA fiscal audit.
- **Vehicle Service Hours (VSH):** There was an obvious error in the VSH reported to the State Controller in FY 2020/21. It was reported as 115,330 in that report, compared to 1,644 as reported to the NTD.

Exhibit 5.1 Data Reporting Comparison

Performance Measure	System-Wide		
	FY 2018/19	FY 2019/20	FY 2020/21
<b>Operating Cost (Actual \$)</b>			
<i>TDA fiscal audit</i>	\$321,618	\$313,291	\$353,136
<i>National Transit Database</i>	\$325,476	\$299,462	\$320,865
<i>State Controller Report</i>	\$321,618	\$315,290	\$321,530
<b>Fare Revenue (Actual \$)</b>			
<i>TDA fiscal audit</i>	\$35,271	\$29,599	\$16,689
<i>National Transit Database</i>	\$35,271	\$29,599	\$16,689
<i>State Controller Report</i>	\$35,271	\$29,599	\$16,689
<b>Vehicle Service Hours (VSH)</b>			
<i>Monthly Performance Reports</i>	3,407	2,341	1,646
<i>National Transit Database</i>	3,407	2,340	1,644
<i>State Controller Report</i>	3,407	2,341	115,330
<b>Vehicle Service Miles (VSM)</b>			
<i>Monthly Performance Reports</i>	55,857	39,389	28,347
<i>National Transit Database</i>	55,497	39,138	28,118
<i>State Controller Report</i>	55,497	39,389	28,118
<b>Passengers</b>			
<i>Monthly Performance Reports</i>	39,324	22,554	12,828
<i>National Transit Database</i>	34,235	22,580	12,641
<i>State Controller Report</i>	34,235	22,581	12,449
<b>Full-Time Equivalent Employees</b>			
<i>State Controller Report</i>	2	2	2



## 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 6667<sup>1</sup>. 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) – excluded the following during the audit period<sup>2</sup>:

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<sup>1</sup> 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.

<sup>2</sup> Given the passage of AB 149, the list of excluded costs will be expanded beginning with FY 2021/22.

- 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.<sup>3</sup> 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.

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<sup>3</sup> 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 Shafter, the following sources were employed:

- Operating Cost was not independently calculated as part of this audit. Operating Cost data were obtained via State Controller Reports for each fiscal year covered by this audit. Operating Cost from the reports was compared against that reported in the City's audited financial reports and appeared 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 State Controller Reports for each fiscal year covered by this audit. This appears to be consistent with TDA guidelines as well as the uniform system of accounts.
- Vehicle Service Hours (VSH) data were obtained via State Controller Reports for each fiscal year covered by this audit. The City calculates VSH using driver trip sheets. 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. The City calculates VSM by subtracting deadhead and out-of-service miles from total vehicle mileage (as noted on each vehicle's odometer). This methodology is consistent with PUC guidelines.
- Unlinked trip data were obtained via State Controller Reports for each fiscal year covered by this audit. The City's calculation methodology is consistent with PUC guidelines.
- Full-Time Equivalent (FTE) data were obtained from State Controller Reports for each fiscal year covered by this review. Use of the TDA definition regarding FTE calculation was confirmed.

### System Performance Trends

System-wide, operating cost experienced a net 0.03 percent decrease during the audit period, and a 21.5 percent net increase across the last six years. Fare revenue significantly decreased during the six-year period, with most of the decline (43.6 percent) occurring in FY 2020/21 due to the COVID-19 pandemic and the free-fare period. This resulted in a net 55.2 percent decrease during the audit period.

Vehicle service hours (VSH) declined every year of the audit period. This resulted in a net 51.7 percent decrease during the audit period and a net 42.8 percent decrease during the six-year period. Vehicle service miles (VSM) experienced the same pattern. This resulted in an overall net decrease of 49.3 percent during the audit period and 41.7 percent over the six-year period. Ridership declined significantly in FY 2019/20 and FY 2020/21 in response to the COVID-19 pandemic. This led to a 63.6 percent net decrease during the audit period and a 57.9 percent net decrease across the six-year period.

Cost-related metrics typically provide an indicator of a system's efficiency, while passenger-related metrics offer insight into its productivity. Improvements are characterized by increases in passenger-related metrics and decreases in cost-related metrics. Despite decreases in operating cost during the audit period, cost-related metrics increased due to corresponding decreases in other performance measures. Operating cost per passenger was impacted the most, given the 63.6 percent decrease in ridership during the audit period. Passenger-related metrics fell during the audit period, with passengers per VSH decreasing 24.6 percent and passengers per VSM decreasing 28.2 percent.

Exhibit 6.1 System Performance Indicators

Performance Measure	System-wide					
	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
<b>Operating Cost (Actual \$)</b>	\$264,595	\$270,066	\$305,854	\$321,618	\$315,290	\$321,530
<i>Annual Change</i>		2.1%	13.3%	5.2%	-2.0%	2.0%
<b>Fare Revenue (Actual \$)</b>	\$28,811	\$28,376	\$34,262	\$37,271	\$29,599	\$16,689
<i>Annual Change</i>		-1.5%	20.7%	8.8%	-20.6%	-43.6%
<b>Vehicle Service Hours (VSH)</b>	2,876	3,110	3,750	3,407	2,341	1,644
<i>Annual Change</i>		8.1%	20.6%	-9.1%	-31.3%	-29.8%
<b>Vehicle Service Miles (VSM)</b>	48,262	50,918	57,286	55,497	39,389	28,118
<i>Annual Change</i>		5.5%	12.5%	-3.1%	-29.0%	-28.6%
<b>Passengers</b>	29,576	30,787	33,494	34,235	22,581	12,449
<i>Annual Change</i>		4.1%	8.8%	2.2%	-34.0%	-44.9%
<b>Employees</b>	2	2	3	2	2	2
<i>Annual Change</i>		0.0%	50.0%	-33.3%	0.0%	0.0%
<b>Performance Indicators</b>						
<b>Operating Cost/VSH (Actual \$)</b>	\$92.00	\$86.84	\$81.56	\$94.40	\$134.68	\$195.58
<i>Annual Change</i>		-5.6%	-6.1%	15.7%	42.7%	45.2%
<b>Operating Cost/Passenger (Actual \$)</b>	\$8.95	\$8.77	\$9.13	\$9.39	\$13.96	\$25.83
<i>Annual Change</i>		-1.9%	4.1%	2.9%	48.6%	85.0%
<b>Passengers/VSH</b>	10.28	9.90	8.93	10.05	9.65	7.57
<i>Annual Change</i>		-3.7%	-9.8%	12.5%	-4.0%	-21.5%
<b>Passengers/VSM</b>	0.61	0.60	0.58	0.62	0.57	0.44
<i>Annual Change</i>		-1.3%	-3.3%	5.5%	-7.1%	-22.8%
<b>Farebox Recovery</b>	10.9%	10.5%	11.2%	11.6%	9.4%	5.2%
<i>Annual Change</i>		-3.5%	6.6%	3.5%	-19.0%	-44.7%
<b>Hours/Employee</b>	1,438.0	1,555.0	1,250.0	1,703.5	1,170.5	822.0
<i>Annual Change</i>		8.1%	-19.6%	36.3%	-31.3%	-29.8%
<b>TDA Non-Required Indicators</b>						
<b>Operating Cost/VSM</b>	\$5.48	\$5.30	\$5.34	\$5.80	\$8.00	\$11.44
<i>Annual Change</i>		-3.3%	0.7%	8.5%	38.1%	42.9%
<b>VSM/VSH</b>	16.78	16.37	15.28	16.29	16.83	17.10
<i>Annual Change</i>		-2.4%	-6.7%	6.6%	3.3%	1.7%
<b>Fare/Passenger</b>	\$0.97	\$0.92	\$1.02	\$1.09	\$1.31	\$1.34
<i>Annual Change</i>		-5.4%	11.0%	6.4%	20.4%	2.3%

Sources: FY 2015/16 – FY 2017/18 data from prior Triennial Performance Audit.  
 FY 2018/19 – FY 2020/21 data from State Controller Reports.  
 FY 2020/21 VSH from NTD Report.

Exhibit 6.2 System Ridership

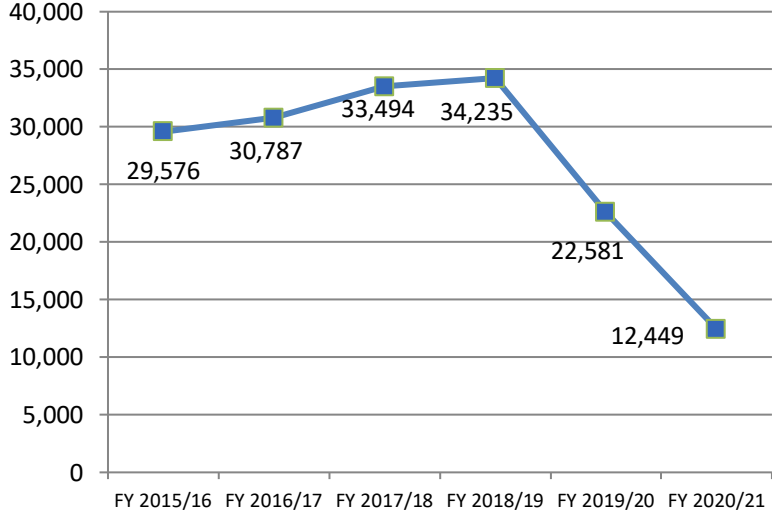


Exhibit 6.3 System Operating Cost/VSH

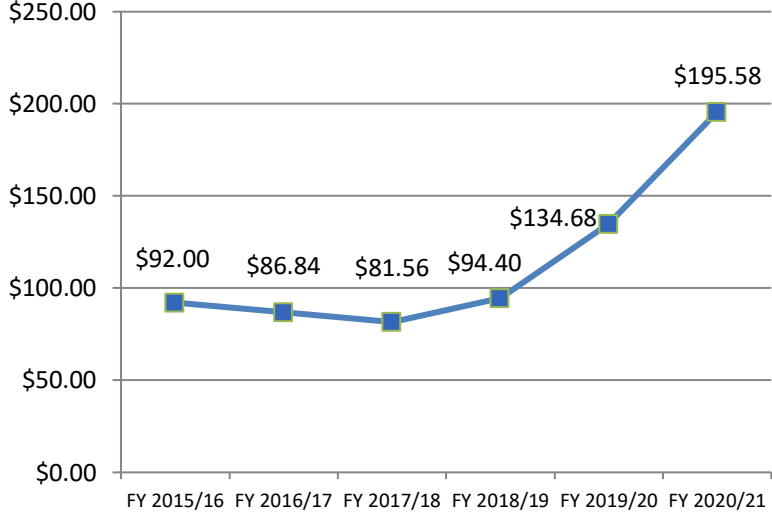


Exhibit 6.4 System Operating Cost/VSM

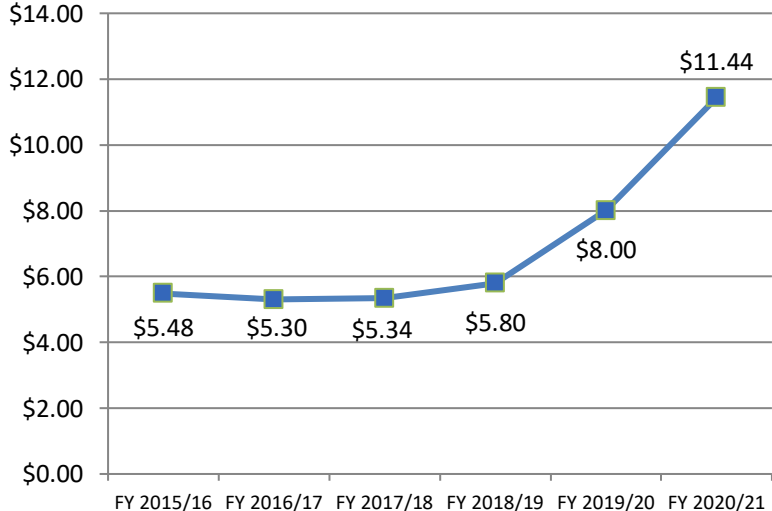


Exhibit 6.5 System VSM/VSH

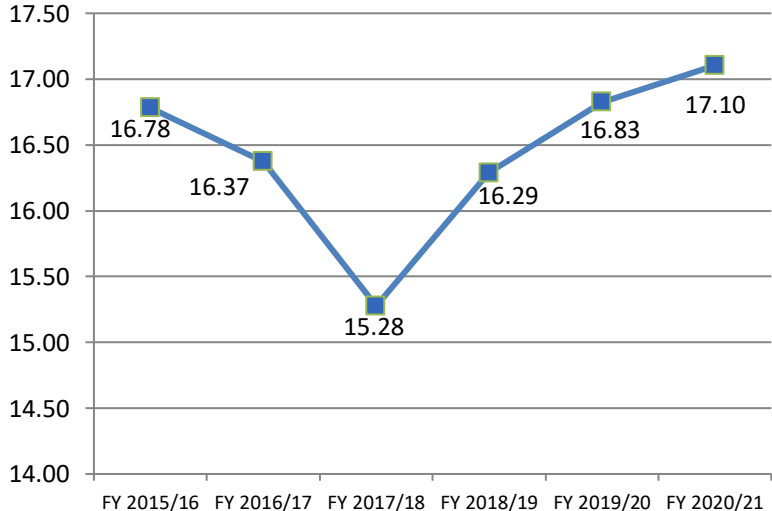


Exhibit 6.6 System Operating Cost/Passenger

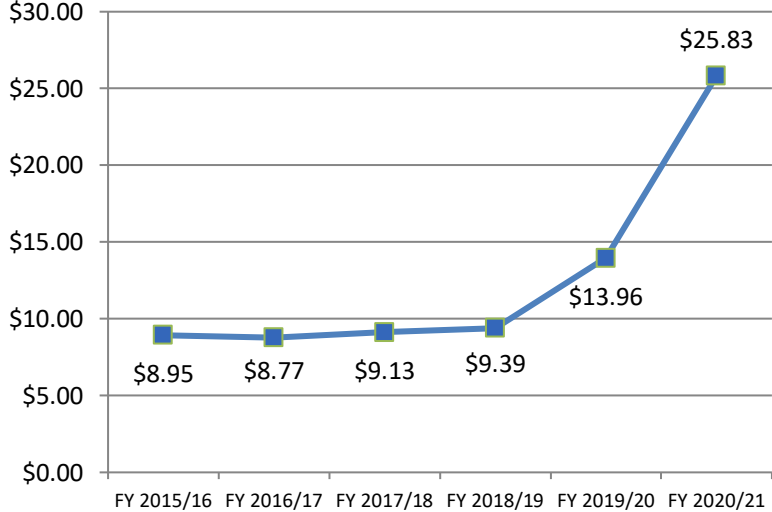


Exhibit 6.7 System Passengers/VSH

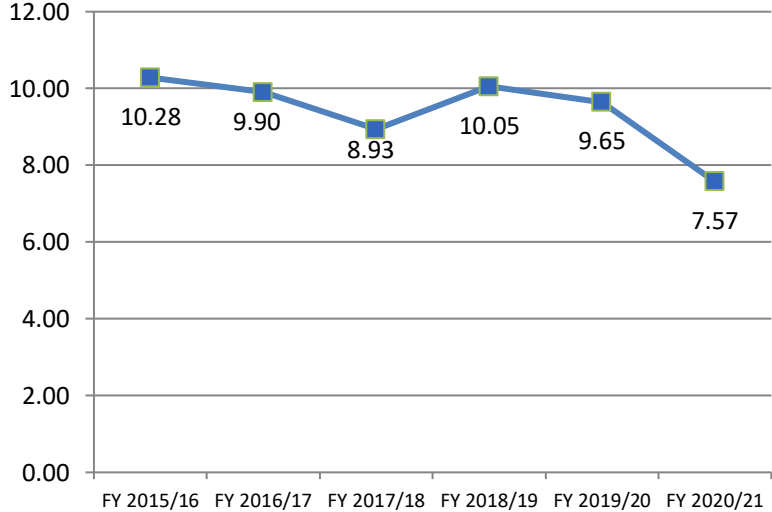


Exhibit 6.8 System Passengers/VSM

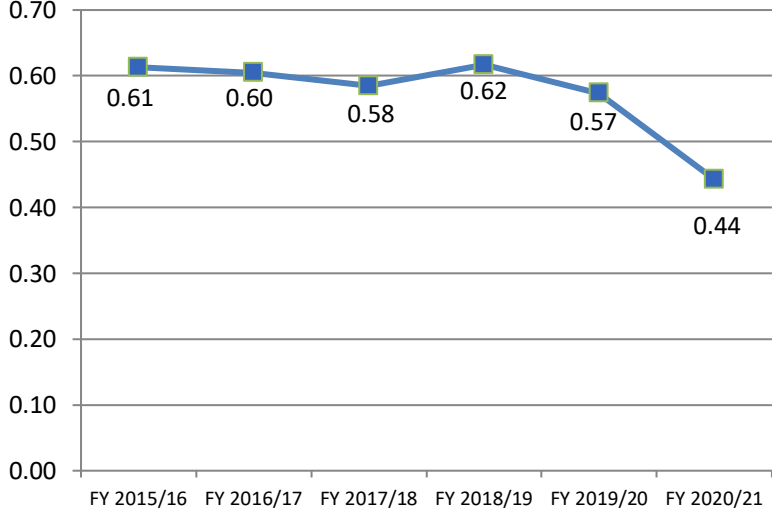


Exhibit 6.9 System VSH/FTE

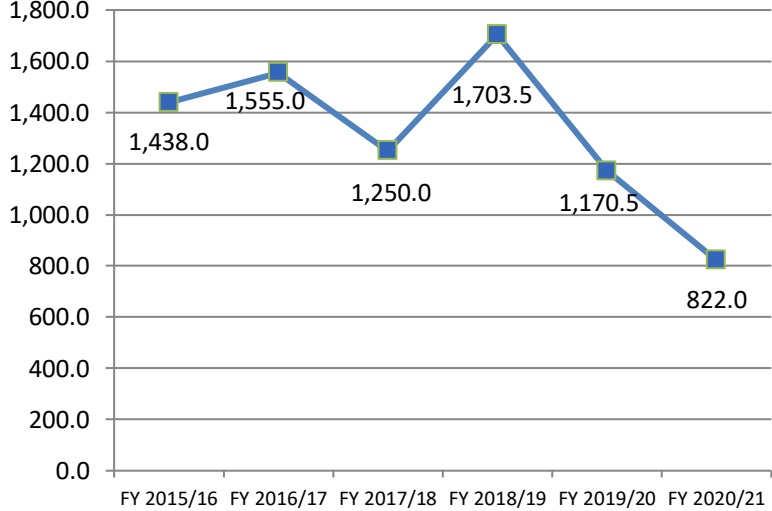


Exhibit 6.10 System Farebox Recovery

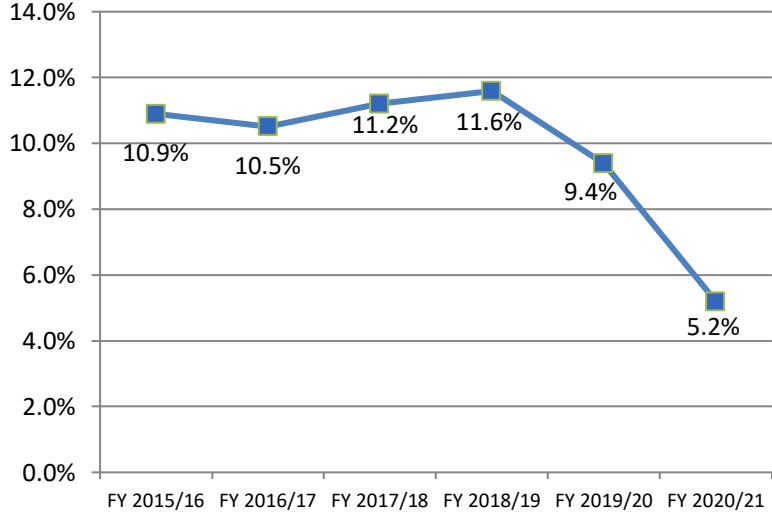
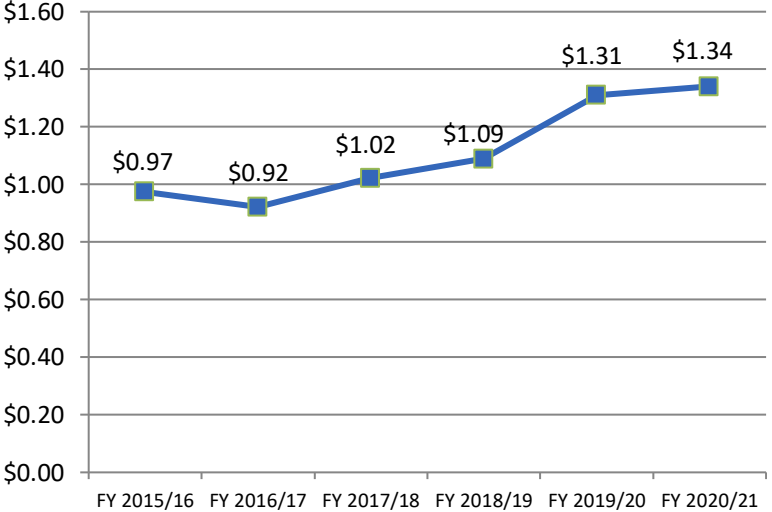


Exhibit 6.11 System Fare/Passenger



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## Chapter 7 | Functional Review

A functional review of the City of Shafter’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 Shafter through its transit program:

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



### Service Overview

The City of Shafter operates Shafter Transit, a curb-to-curb Dial-A-Ride service available to the general public. The service operates within Shafter city limits. Service is available on weekdays from 8:00 a.m. through 4:30 p.m. and Saturdays from 10:00 a.m. through 3:30 p.m. The service does not operate on Sunday or designated holidays.

Trips are provided on a first-come, first-served basis. Requests for service require a minimum 20-minute advance notice prior to pick-up, but times are not guaranteed. Riders may connect with Kern Transit, which provides service to Lost Hills-Bakersfield (Route 115) and Delano-Bakersfield (Route 110) via a stop at Shafter city hall.

On-demand, fixed-schedule transportation is also provided to certain areas outside the Shafter city limits on weekdays from 9:00 a.m. to 4:00 p.m. Customers must call to request pickup along the fixed route.

**Exhibit 7.1 Current Service Fares**

Fare Category	Dial-A-Ride	Fixed-Route
General Public	\$1.50	\$1.75
Senior/Disabled/Youth	\$1.25	\$1.50
Children under 5	\$1.25 (up to 2 children ride free with a paying adult)	\$1.50 (up to 2 children ride free with a paying adult)

For trips to the airport, industrial park, and Gossamer Grover the fare is \$4.25. Frequent Rider cards are also available and may be purchased at Shafter city hall or onboard the vehicles. Cards provide eleven rides for the price of ten.

### Response to COVID-19 pandemic

The City's transit service to outlying areas was reduced and Saturday service was suspended as a result of the COVID-19 pandemic. Additionally, the City had an agreement with the county to serve specific areas and that service was also suspended. CDC and FTA protocols regarding limited passenger capacity and mask mandates were implemented. Thermometers and social distancing were utilized. Service to outlying areas of the County was reinstated in March 2021. However, the Saturday service suspension is still in place.

Overall, staff is proud of the City's response to continue to provide service when all other businesses shut down. While the City had minimal issues with drivers getting sick, it was fortunate to have the three part-time drivers to cover in the event of illness.

### General Management and Organization

The City's Administrative Services Director oversees the Transit program. Drivers submit logs recording the number of passengers, passenger type, and destinations. Vehicle revenue hours and miles are recorded in Laserfiche; a clerk uses this data to calculate hours and miles on a daily and monthly basis. Using the monthly reports, the Accounting Manager bills the county for services provided.

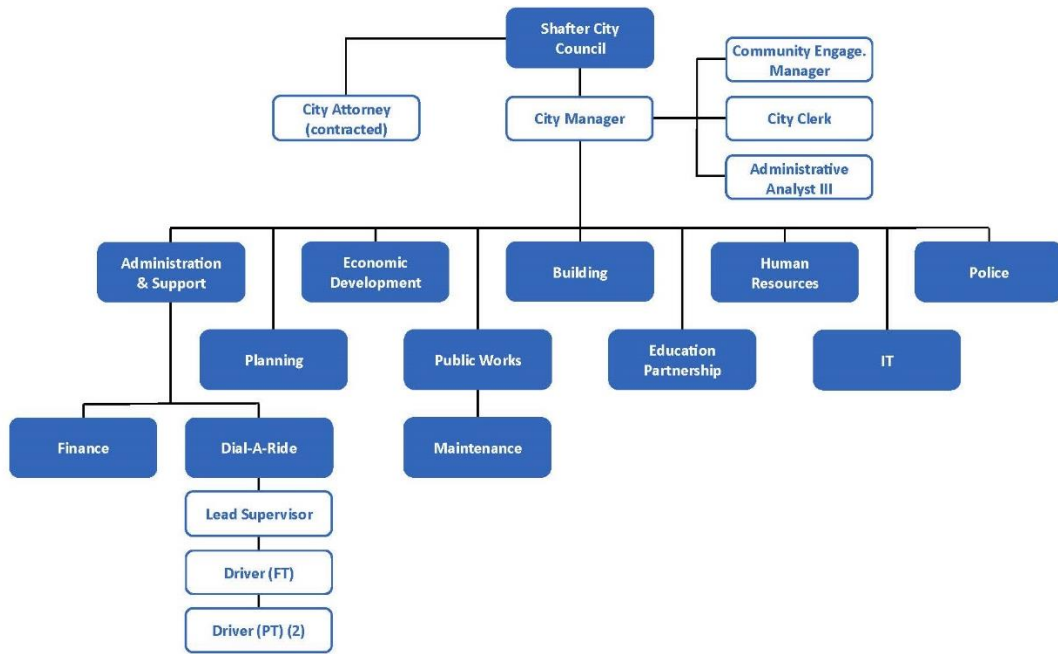
The City is currently advertising for a new position of Lead Transit Supervisor, which would take over some of the reporting roles of the Administrative Services Director. This position would ideally be someone who has prior transit experience. Additionally, the City is working to convert a part-time driver into a full-time driver, resulting in two full-time employees and two part-time employees. With these changes implemented, the objective is to resume Saturday service and ensure all drivers are properly trained.

The five-member Shafter city council serves as the City's principal policy-making body and members are directly elected for four-year overlapping terms. The city council meets the first and third Tuesday of the month at 7:00 p.m. at Shafter City Hall (336 Pacific Avenue). This location is served by Kern Transit Routes 110 and 115. The City does not have a transit citizen advisory body.

The city council is typically very interested in the City's transit program. Additionally, a member of the city council is very involved with the Kern COG and its transit committee and shows interest in regional transportation issues. The City regularly reports transit updates including the budget process, funding requests, and grant applications to the council.

The City has a positive and effective relationships with other transit operators and Kern COG. Caltrans has been a helpful resource for the City to reach out to for assistance. The City is working on joining CalACT based on a recommendation from the neighboring City of Wasco.

Exhibit 7.2 Organizational Chart (2023)



### Service Planning

The Kern Council of Governments (RTPA) is responsible for transit planning for the City of Shafter through the periodic development of a Short Range Transit Plan (SRTP) or Transit Development Plan (TDP). The most recent TDP was completed in May 2016. The Kern COG is in the process of identifying grants to fund updates to outdated planning efforts. However, given Shafter’s TDP is one of the more recently completed plans, it is likely to be several years until it is updated.

There has been some discussion within Kern County about service consolidation. The City is concerned about how that would impact its ability to use TDA funds for streets and roads purposes.

There were no changes in fare during the audit period. However, in response to the COVID-19 pandemic, transit services to outlying and county service areas were suspended from March 2020 to March 2021. Saturday service was also suspended in March 2020 and has yet to be restored.

### Administration

The Finance Director is primarily responsible for preparing the transit budget, with assistance from the City Manager, City Council, and Finance staff. Budget versus actual figures are review quarterly, and are also reported to city council on a quarterly basis.

The Finance Department is responsible for grant writing and coordinates with an outside audit firm for the City’s annual city-wide and TDA audits. The City uses Laserfiche Enterprise Content Management (ECM) software for data gathering and analysis and Tyler Munis (ERP) software for managing financial data.

Decisions to apply for grants are by department and based on needs. Finance prepares transit grants, yet will hire consultants for particularly complicated grant applications. The City is not aware of any grants it would like to pursue but currently does not. The City hopes that joining CalACT will provide additional flexibility in vehicle purchases by giving it access to the CalACT vehicle purchasing cooperative.

The City is a member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA). Human Resources has been responsible for risk management since April 2021. In the event of an accident, the bus driver immediately calls it in, gathers essential details, and offers to request medical aid. The incident is then reported to Human Resources, which takes over the process. The transit program conducts a two-hour defensive driving training annually, and the City is interested in providing additional safety-related training.

The County of Kern currently contracts with the City to provide service in county areas surrounding Shafter. This is the only transit-related contract which the City manages.

Payroll is based on time and attendance software, which requires drivers to clock in and clock out using an ID card. The system is automatic and all time goes to the Accounting Manager for approval. All employees utilize direct deposit.

The City does not have an internal audit function.

#### Marketing and Public Information

The City promotes its transit program using a bilingual flyer (dated July 1, 2019), as well as content available on the City's website. The flyer is outdated and still shows the Saturday service. Some of the information on the website (such as the Title VI program and the service flyer) is also outdated. Social media (via the City's social media platforms) is utilized to communicate service changes and delays. The City does not conduct surveys; however, public participation is encouraged during the unmet transit needs process. This public hearing is advertised on social media, the transit website, and via the local newspaper. Several residents attended the most recent public hearing requesting the reintroduction of Saturday service.

The City typically does not do promotional campaigns beyond the distribution of service information. However, it does anticipate advertising the reintroduction of Saturday service.

The transit phone number connects directly to the drive through an iPad kept onboard the vehicle. The iPad works like a radio, and all calls are logged. Customer complaints are received by the Finance Accounting Manager and may not come through the transit number. There is a formal complaint form, but most callers do not want to complete it. All calls receive appropriate follow-up and due diligence.

Public perception of the transit program is generally well received. There is some frustration with the electric vehicles and the larger cutaway buses being unable to navigate some of the narrower streets, which means customers must walk to the end of the street rather than having the bus come to their door.

### Scheduling, Dispatch, and Operations

The City's transit program is fully staffed with one full-time driver and three part-time drivers. The workforce is not represented. The City is in the process of hiring a Lead Transit Supervisor that would convert the third part-time employee to a second full-time position. All drivers have been with the City at minimum of five years and enjoy the flexibility of the hours as well as the benefits of being a City employee. The Finance Accounting Manager develops the schedule every month, monitors hours, and ensures coverage.

All drivers are licensed to operate all vehicles. Demand determines whether one driver is sufficient to cover the full shift. If demand is high, part-time drivers will be notified, and generally one of them will step in. All dispatching is done manually by the drivers, who self-dispatch.

Passengers are counted manually and recorded on the driver's log. Vehicle service hours are tracked by logging times in and out of service. Vehicle service miles are based on odometer readings when the vehicle goes in and out of service. This is also submitted to the mechanics during pre- and post-trip inspections.

Vehicles are equipped with manual (drop) fareboxes. Non-cash fare media (10-ride punch passes) is sold at Shafter city hall. At the end of their shifts, drivers empty the fareboxes into bank bags, and drivers bring the bank bags and paperwork to a finance clerk. In Finance, the cash is counted and balanced against ridership. Sometimes there is an overage, as drivers do not give change. Finance generates one receipt for all daily fares by driver and delivers the fares to the bank on a daily basis.

### Personnel Management and Training

The City currently has one full-time driver and three part-time drivers, all of whom are City employees. Drivers are not unionized. Full-time drivers receive all City benefits. Part-time drivers receive CalPERS retirement and sick leave benefits. All City employees are subject to the same personnel and discipline rules.

The City does not hold regular safety meetings outside their annual defensive driving training, but is looking into online/webinar training opportunities.

### Maintenance

The City's fleet consists of four all-electric Zenith nine-passenger vehicles, three Dodge Caravan minivans, and two Ford minivans (used as spares). It also includes two Phoenix electric buses, which have been problematic. A fleet inventory is provided in Exhibit 7.3.

Maintenance is provided at the City's Corporate Yard by City maintenance staff. The City's fleet shop is shared with other City vehicles and includes a lift, parts area, and fenced storage yard. Weekly emails between maintenance and Finance provide updates regarding vehicle availability. Electric vehicle charging stations are also located at the Corporate Yard.

During the audit period, the City received funding via multiple grants to purchase two electric buses. There were delays in putting the buses into service due to management changes. These vehicles are having issues with batteries, warranties, and the manufacturer. The City does not have service technicians that can work on the buses, and they are spending more time in the shop than in service. At present, electric

vehicles have to be taken into Los Angeles (over the mountains) for service as there is no local vendor who can provide maintenance. The City is in the process of getting funding from the San Joaquin Valley Air District for new electric vehicles. However, the City is having difficulty finding a local vendor that can give them a quote for a vehicle and provide maintenance. It is looking at purchasing some hybrid vans, yet also needs a battery-electric bus.

Some of the issues the City has had with its electric vehicles is batteries that did not provide the expected range or would turn off. There was also a mismatch between the chargers and the vehicles. Kern County is developing a program with Bakersfield College to train electric vehicle technicians, which could help provide local support for electric vehicle programs in the future. The City’s current auto mechanic is able to do cosmetic repairs, but no repairs on the electrical system.

Ideally, the City would like to keep gas-powered vehicles in its fleet to provide more reliability. Given the fleet is so small, full conversion to electric before the vehicles have a high degree of reliability is a significant concern. There is significantly more downtime on these electric vehicles when compared to the City’s gas-fueled vehicles.

**Exhibit 7.3 City of Shafter Transit Fleet (as of June 30, 2021)**

Asset #	City ID #	Year	Make	Model	Mileage
1527	T-11	2006	Ford	Freestar Van	117,655
1528	T-12	2007	Ford	Freestar Van	115,045
2616	T-14	2012	Dodge	Caravan	105,431
2618	T-15	2012	Dodge	Caravan	89,530
2753	T-16	2014	Dodge	Grand Caravan – ADA	24,955
2898	T-17	2015	Zenith	Passenger Van	41,888
2899	T-18	2015	Zenith	Passenger Van	43,717
2900	T-19	2015	Zenith	Passenger Van	41,829
2901	T-20	2015	Zenith	Passenger Van – ADA	40,518
188	ET-21	2019	Phoenix	Zeus 400	326
5502	ET-22	2019	Phoenix	Zeus 400	224

## Chapter 8 | Findings and Recommendations

### Conclusions

With three exceptions, Moore & Associates, Inc. finds the City of Shafter 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

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

1. State Controller Reports were submitted after the established deadline in FY 2019/20 and FY 2020/21.
2. TDA fiscal audits were complete after the allowable extended deadline in FY 2019/20 and FY 2020/21.
3. Full-time equivalent (FTE) employees does not appear to include any non-driver work hours.

The audit team has identified three functional findings. While these findings are not compliance findings, the audit team believes they warrant inclusion in this report:

1. The City has yet to complete its Zero-Emission Bus Rollout Plan (as required by CARB).
2. The City's transit website contains outdated information.
3. The City is at risk of falling below the 10 percent farebox recovery ratio threshold when the penalty waivers end in FY 2023/24.

### Program Recommendations

In completing this Triennial Performance Audit, the auditors submit the following recommendations for the City of Shafter's public transit program. 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. Each finding is presented with the elements identified within the 2011 *Government Auditing Standards* as well as one or more recommendations.

### Compliance Finding 1: State Controller Reports were submitted after the established deadline in FY 2019/20 and FY 2020/21.

**Criteria:** PUC 99243 requires operators receiving funding under Article 4 to submit their Financial Transaction Report to the State Controller within seven months of the end of the fiscal year. No extensions are provided.

**Condition:** In FY 2019/20, the City’s State Controller Report was not submitted until March 16, 2021. In FY 2020/21, the City’s State Controller Report was not submitted until February 18, 2022. Staff noted the FY 2021/22 report (not reviewed as part of this audit) was submitted late as well (April 21, 2023).

**Cause:** A “perfect storm” including changes in staffing and management, the COVID-19 pandemic, implementation of a new Enterprise Resource Planning (ERP) system, and a ransomware attack delayed audits and reporting for several years.

**Effect:** The State Controller Reports – as well as other items – were submitted after the established deadlines.

**Recommendation:** Ensure future State Controller Reports are submitted prior to the January 31 deadline.

**Recommended Action:** The City should work to resolve the underlying issues that resulted in the late submittal of reports.

**Timeline:** Beginning with FY 2022/23 report.

**Anticipated Cost:** None.

**Compliance Finding 2: TDA fiscal audits were complete after the allowable extended deadline in FY 2019/20 and FY 2020/21.**

**Criteria:** PUC 99245 requires all Article 4 recipients to submit an annual fiscal audit to the State Controller within 180 days of the end of the fiscal year. The RTPA has the authority to extend the deadline for another 90 days, typically to March 31.

**Condition:** In FY 2019/20, the City’s TDA fiscal audit was not submitted until October 8, 2021. In FY 2020/21, the City’s TDA fiscal audit was not submitted until March 13, 2023. Staff noted the FY 2021/22 TDA fiscal audit (not reviewed as part of this audit) has been completed, and it expects to be back in compliance with the FY 2022/23 fiscal audit.

**Cause:** A “perfect storm” of changes in staffing and management, the COVID-19 pandemic, implementation of a new Enterprise Resource Planning (ERP) system, and a ransomware attack delayed audits and reporting for several years.

**Effect:** The TDA fiscal audits – as well as other items – were submitted after the established deadlines.

**Recommendation:** Work with City and TDA auditors to ensure the TDA fiscal audit can be completed no later than March 31.

**Recommended Action:** Given the City appears to have addressed the issue that resulted in the late TDA fiscal audits, it should work with its staff and the TDA audits to ensure on-time completion.

**Timeline:** Beginning with the TDA fiscal audit for FY 2022/23.



**Anticipated Cost:** None.

**Compliance Finding 3: Full-time equivalent (FTE) employees does not appear to include any non-driver work hours.**

**Criteria:** The State Controller, for its Transit Operator Financial Transaction Report, utilizes the TDA definition of full-time equivalent (FTE) employee for the reporting of employees. This definition, included as part of PUC 99247, calls for a definition of “employee” as total work hours divided by 2,000. This includes driver work hours as well as maintenance and other staff involved in managing the transit system. Non-work hours (such as vacation, sick time, and leave) should not be included in the calculation.

**Condition:** In its documentation for this audit, the City provided a methodology for calculating FTE employees that met the TDA definition (work hours divided by 2,000). However, this methodology only included driver hours, not maintenance or administrative hours. In addition, the driver hours calculated for FY 2018/19 and FY 2019/20 rounded up to three FTE, but were reported to the State Controller as two.

**Cause:** A lack of understanding of how this metric is calculated can result in transit-related work hours being omitted from the calculation.

**Effect:** The FTE reported on the State Controller Report is too low.

**Recommendation:** Ensure all transit-related work hours are included in the FTE calculation.

**Recommended Action:** Include all transit-related work hours – including drivers, maintenance, and administration – in the FTE calculation. For positions not dedicated to transit, count actual hours worked, if they are tracked by work element, or estimate hours based on percentage of FTE as identified in an organizational chart. For example, if the Finance Director does not log hours by work element but is dedicated 0.15 to transit, use  $2000 * 0.15$  to calculate the number of hours (300) to be included in the FTE calculation.

**Timeline:** Beginning with State Controller reporting for FY 2022/23.

**Anticipated Cost:** None.

**Functional Finding 1: The City has yet to complete its Zero-Emission Bus Rollout Plan (as required by CARB).**

**Criteria:** Functional areas examined as part of this audit include both Service Planning and Administration. Planning for and compliance with state mandates would be included within these categories.

The California Air Resources Board (CARB), under its Innovative Clean Transit (ICT) mandate, required all transit operators to submit a Zero-Emission Bus Rollout Plan by June 30, 2023. This Plan outlines the operator’s approach to meeting the ICT requirement of a zero-emission fleet by 2040.

**Condition:** At the time of the site visit (June 27, 2023), the City had yet to prepare its Zero-Emission Bus Rollout Plan.

**Cause:** The cause of the delay in the Plan’s preparation is unknown.

**Effect:** Failure to complete the Plan may impact the City’s ability to qualify for future capital funding.

**Recommendation:** The City should prepare its Zero-Emission Bus Rollout Plan as soon as possible and submit to CARB.

**Recommended Action:** The City should reach out to CARB and secure an extension for the Plan. This will notify CARB that additional time is needed, identify a target for completion, and provide evidence that the City is working to prepare its Plan. Once the Plan is completed, it will need to be adopted by City Council before being submitted to CARB. As such, the City should ensure the new deadline provides ample time to both develop the Plan and adopt it.

**Timeline:** As soon as possible, preferably before the end of calendar year 2023.

**Anticipated Cost:** Variable.

#### **Functional Finding 2: The City’s transit website contains outdated information.**

**Criteria:** Marketing and Public Information is one of the functional areas examined during the audit process.

**Condition:** At the time of this audit, the City’s transit website did not reflect the change in service arising from the COVID-19 pandemic that suspended Saturday service. The flyer containing the service information was created prior to the pandemic. There is no indication that the service is other than is represented on the website.

**Cause:** It is the City’s responsibility to provide up-to-date information on its website.

**Effect:** Failure to provide up-to-date information about the transit service online can result in confusion about when the service operates, especially among new residents or visitors.

**Recommendation:** Update the transit website to accurately reflect transit service offerings.

**Recommended Action:** The website update does not need to be complicated. It could be as simple as adding a statement saying Saturday service is suspended (which can be removed when it is reinstated). The website should be updated to reflect any service change, even those that are temporary if they are in place for a significant duration.

**Timeline:** As soon as possible.

**Anticipated Cost:** Negligible.

**Functional Finding 3: The City is at risk of falling below the 10 percent farebox recovery ratio threshold when the penalty waivers end in FY 2023/24.**

**Criteria:** PUC 99268.4 requires a transit operator serving a non-urbanized (rural) area to achieve a farebox recovery ratio of 10 percent in order to be eligible for its full allocation of TDA funding. AB 90 offered a waiver from penalties for FY 2019/20 and FY 2020/21, and AB 149 extended these waivers through FY 2022/23.

**Condition:** In FY 2020/21, the City’s farebox recovery ratio (as calculated by the TDA auditor) was 6.11 percent, below the 10 percent requirement. In prior years, the City was in compliance with the 10 percent requirement.

**Cause:** There was no need to add local supplementation in FY 2020/21 given the penalty waiver was in effect.

**Effect:** The farebox recovery ratio would have been out of compliance except for the penalty waiver.

**Recommendation:** Ensure in future years the farebox recovery ratio is at least 10 percent, even if use of supplemental funds is necessary.

**Recommended Action:** The City should ensure it has sufficient local supplementation in order to remain in compliance with the 10 percent farebox recovery ratio requirement. This could be through applying a sufficient amount of federal operating funds to the farebox revenue plus local supplementation calculation (as allowed under AB 149) or by applying City general funds in a sufficient amount.

**Timeline:** Beginning in FY 2023/24 (following the expiration of penalty waivers resulting from AB 149).

**Anticipated Cost:** Unknown.

Exhibit 8.1 Audit Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Ensure future State Controller Reports are submitted prior to the January 31 deadline.	High	FY 2023/24
2	Work with City and TDA auditors to ensure the TDA fiscal audit can be completed no later than March 31.	High	FY 2023/24
3	Ensure all transit-related work hours are included in the FTE calculation.	Medium	FY 2023/24
Functional Recommendations		Importance	Timeline
1	The City should prepare its Zero-Emission Bus Rollout Plan as soon as possible and submit to CARB.	High	FY 2023/24
2	Update the transit website to accurately reflect transit service offerings.	Medium	FY 2023/24
3	Ensure in future years the farebox recovery ratio is at least 10 percent, even if use of supplemental funds is necessary.	High	FY 2023/24

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