



Madera County Transportation Commission

# Triennial Performance Audit, FY 2018 - FY 2020 City of Chowchilla

FINAL REPORT  
FEBRUARY 25, 2021



Prepared by Moore & Associates, Inc.



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## Chapter 1 | Executive Summary

In 2020, the Madera County Transportation Commission selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the three 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. The City of Chowchilla received funding under Article 4 and is statutorily required to undergo a Triennial Performance Audit. In 2017, the Madera County Transportation Commission (MCTC), as the RTPA, requested the City be audited to provide a comprehensive and objective review to provide beneficial insights into program performance and to establish a baseline for future audits, even though it received no Article 4 funding at that time. This is the second TDA Triennial Performance Audit of the City of Chowchilla.

The Triennial Performance Audit is designed to be an independent and objective evaluation of the City of Chowchilla 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 Chowchilla's public transit program for the period:

- Fiscal Year 2017/18,
- Fiscal Year 2018/19, and
- Fiscal Year 2019/20.

The City of Chowchilla currently operates a general public curb-to-curb demand-response service branded as Chowchilla Area Transit (CATX). The service operates Monday through Friday between 7:30 a.m. and 3:30 p.m. The service operates within Chowchilla city limits, with some service to limited destinations outside city limits via the Chowchilla Gold Line, which is also a general public demand-response service. There is a higher fare for Gold Line trips. Discounted multi-ride passes are available for persons age 60 and older, ADA-eligible customers, and students of any age.

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. Moore & Associates believes the evidence obtained provides a reasonable basis for our findings and conclusions.

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

The Triennial Performance Audit includes five elements:

- Compliance requirements,
- Prior recommendations,
- Analysis of program data reporting,
- Performance Audit, and
- Functional review.

#### Test of Compliance

Beginning in FY 2017/18, the City of Chowchilla began receiving TDA Article 4 funds. Based on discussions with City staff, analysis of program performance, and an audit of program compliance and function, the audit team presents three compliance findings:

1. The City of Chowchilla did not meet the TDA farebox recovery ratio requirement during FY 2017/18.
2. The City of Chowchilla did not submit its TDA fiscal audits within the stipulated timeframe.
3. In FY 2017/18 and FY 2019/20, the City of Chowchilla did not meet either of the STA efficiency standards and therefore was not eligible to use its full STA allocation for operating purposes.

#### Status of Prior Recommendations

The prior audit – completed in February 2018 by Moore & Associates, Inc. for the three fiscal years ending June 30, 2017 – included three recommendations:

1. Consider and explore strategies for increasing the farebox recovery ratio to 10 percent.  
**Status:** Partially implemented.
2. Develop and utilize a process to ensure data is compiled and reported consistently and accurately across all reporting mechanisms.  
**Status:** Implemented.
3. Ensure the proper methodology for calculating full-time equivalent (FTE) is used when reporting Employees on the State Controller Report.  
**Status:** Implemented.



**Findings and Recommendations**

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

In completing this Triennial Performance Audit, we submit the following recommendations for the City of Chowchilla’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.

Given there are no functional findings, only compliance findings are provided below.

**Exhibit 1.1 Summary of Audit Recommendations**

<b>TDA Compliance Recommendations</b>		<b>Importance</b>	<b>Timeline</b>
1	Work toward meeting the 10 percent farebox recovery ratio requirement stipulated by the TDA.	High	FY 2021/22
2	Once MCTC has addressed the late submittal of the audits with its auditor, the City should ensure its financial reporting is completed in a timely manner, thereby enabling the TDA fiscal audit to be completed within the established timeframe.	Medium	FY 2020/21
3	Verify with MCTC that one or both efficiency standards are met before claiming the full allocation of STA funding for operations.	Medium	FY 2022/23

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## Chapter 2 | Audit Scope and Methodology

The Triennial Performance Audit (TPA) of the City of Chowchilla’s public transit program covers the three-year period ending June 30, 2020. 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 2020, the Madera County Transportation Commission selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the three transit operators to which it allocates funding. Moore & Associates is a consulting firm specializing in public transportation, including audits of non-TDA Article 4 recipients. Selection of Moore & Associates followed a competitive procurement process.

The Triennial Performance Audit is designed to be an independent and objective evaluation of the City of Chowchilla 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.

At the time of the prior audit, the City of Chowchilla did not receive TDA Article 4 funding for transit and was not statutorily required to undergo a Triennial Performance Audit, nor had it historically been held to the requirements of the TDA. However, in 2017, the Madera County Transportation Commission (MCTC), as the RTPA, requested the City be audited to provide a comprehensive and objective review to offer beneficial insights into program performance and to establish a baseline for future audits. Beginning in FY 2017/18, however, the City brought the operation of its transit program in-house, which necessitated funding through Article 4 instead of Article 8(c). With this audit, the City is statutorily required to undergo a Triennial Performance Audit and must be held to the requirements under Article 4.

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 Chowchilla 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 Chowchilla 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):

- Monthly performance reports;
- State Controller Reports;
- Annual budgets;
- TDA fiscal audits;
- Transit marketing collateral;
- Fleet inventory;
- Preventive maintenance schedules and forms;
- California Highway Patrol Terminal Inspection reports;
- National Transit Database reports;
- Accident/road call logs; and
- Organizational chart.

Given impacts of the ongoing COVID-19 pandemic, the methodology for this review included a virtual site visit with City of Chowchilla representatives on January 12, 2021. The audit team met with Robin Roman (Transit Coordinator) and Sherri Dueker (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 Chowchilla’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 Madera County Transportation Commission 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 a physical inspection of relevant documents including the fiscal audits for each year of the triennium, State Controller annual filings, California Highway Patrol terminal inspections, year-end performance reports, and other compliance-related documentation.

Three compliance items were identified for the City of Chowchilla:

1. The City of Chowchilla did not meet the TDA farebox recovery ratio requirement during FY 2017/18.
2. The City of Chowchilla did not submit its TDA fiscal audits within the stipulated timeframe.
3. In FY 2017/18 and FY 2019/20, the City of Chowchilla did not meet either of the STA efficiency standards and was therefore not eligible to use its full STA allocation for operating purposes.

### Developments Occurring During the Audit Period

The last half of FY 2019/20 is markedly different from the rest of the audit period. The impacts of the COVID-19 pandemic resulted in significant declines in ridership and revenue. 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 have mitigated some of the lost revenues, most transit programs have yet to return to pre-pandemic ridership and fare levels. As a result, the Triennial Performance Audits will provide an assessment not only of how COVID-19 impacted each organization, as well as how it responded to the crisis.

In addition to the COVID-19 pandemic, recent and proposed changes to the TDA will result in audit reports that look somewhat different than in prior years. In the nearly 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.

Assembly Bill 90, signed into law on June 29, 2020, provides temporary regulatory relief for transit operators required to conform with Transportation Development Act (TDA) farebox recovery ratio thresholds in FY 2019/20 (the last year covered by this audit) and FY 2020/21. While the ability to maintain state mandates and performance measures is important, AB 90 offers much-needed relief from these requirements for these years impacted by the COVID-19 pandemic while TDA reform continues to be discussed.

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.

The first item, the only one specific to FY 2019/20, will be taken into consideration during the compliance review. Other provisions will be considered with respect to audit recommendations.



Exhibit 3.1 Transit Development Act Compliance Requirements

Compliance Element	Reference	Compliance	Comments
State Controller Reports submitted on time.	PUC 99243	In compliance	FY 2017/18: January 29, 2019 FY 2018/19: January 30, 2020 FY 2019/20: February 1, 2021
Fiscal and compliance audits submitted within 180 days following the end of the fiscal year (or with up to 90-day extension).	PUC 99245	Not in compliance*	FY 2017/18: May 6, 2019 FY 2018/19: April 28, 2020 FY 2019/20: <i>Pending</i>
Operator's terminal rated as satisfactory by CHP within the 13 months prior to each TDA claim.	PUC 99251 B	In compliance	August 25, 2017 July 10, 2018 July 12, 2019 August 18, 2020
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	The transit program operates only in a non-urbanized area.
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 City is not subject to alternative criteria.
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 2017/18: +5.28% FY 2018/19: +9.93% FY 2019/20: -22.66%  The decrease in FY 2019/20 is due to the City no longer providing Dial-A-Ride service to the County area (formerly contracted by the County of Madera).
The operator's definitions of performance measures are consistent with the Public Utilities Code Section 99247.	PUC 99247	In compliance	FTE reported to the State Controller is consistent with TDA calculation methodology.
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	The transit program operates only in a non-urbanized area.

\*Also a compliance finding for the RTPA.

Compliance Element	Reference	Compliance	Comments
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	Not in compliance	FY 2017/18: 5.43% FY 2018/19: 54.21% FY 2019/20: 9.74%; penalty waived under AB 90.
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 City operates a general public demand-response service.
The current cost of the operator's retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing a plan approved by the RTPA, which will fully fund the retirement system for 40 years.	PUC 99271	In compliance	City staff are eligible for retirement benefits through CalPERS.
If the operator receives State Transit Assistance funds, the operator makes full use of funds available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted.	CCR 6754 (a) (3)	In compliance	
In order to use State Transit Assistance funds for operating assistance, the operator's total operating cost per revenue hour does not exceed the sum of the preceding year's total plus an amount equal to the product of the percentage change in the CPI for the same period multiplied by the preceding year's total operating cost per revenue hour. An operator may qualify based on the preceding year's operating cost per revenue hour or the average of the three prior years. If an operator does not meet these qualifying tests, the operator may only use STA funds for operating purposes according to a sliding scale.	PUC 99314.6	Not in compliance*	In FY 2017/18 and FY 2019/20, the City did not meet either qualifying test. Therefore, in FY 2017/18, only 99.25% of allocated STA funds could be used for operations. In FY 2019/20, only 97.02% could be used for operations. In both years, it is unclear whether the City used its full STA allocation for operations. (This requirement is waived for FY 2020/21 and FY 2021/22 under AB90.)

\*Also a compliance finding for the RTPA.

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

The prior audit – completed in February 2018 by Moore & Associates, Inc. for the three fiscal years ending June 30, 2017 – included three recommendations:

1. Consider and explore strategies for increasing the farebox recovery ratio to 10 percent.

**Discussion:** PUC Section 99268 establishes a 10 percent farebox recovery minimum for rural 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. Across the prior audit period, the City’s farebox recovery ranged from 3.18 percent (FY 2016/17) to 4.50 percent (FY 2014/15).

The prior audit recommended the City consider and explore strategies that could be used to increase its farebox recovery ratio to 10 percent. These strategies could include additional marketing, a fare increase, or a reassessment of service delivery to reintroduce fixed-route service and reduce the need for the more costly demand-response service. While marketing may seem a desirable activity that can be immediately implemented, the City should consider what it expects to gain from such efforts. For a demand-response service, increased ridership typically results in increased service costs, unless trips can be grouped very effectively. In addition, increased marketing and outreach could result in a demand that the City is unprepared to address. Therefore, while the City may wish to do some modest marketing, the prior auditor recommended it focus efforts on implementing a fare increase and/or identification of alternative revenue sources.

The prior audit also recommended the City consider what additional local funds may now be eligible to supplement its farebox recovery ratio (per the changes to PUC Section 99268.19). It suggested the City ensure any revenues from the sale of surplus vehicles (such as the 2009 vehicle currently being prepared for auction) are counted as local revenues and applied toward the farebox recovery ratio.

**Progress:** Annual farebox recovery calculations continue to fall below the stipulated 10 percent threshold absent supplemental monies. In FY 2018/19, the City had an unfunded retirement liability with PERS, which it took out a bond to cover. That transaction resulted in a farebox recovery ratio of more than 50 percent. In FY 2019/20, the requirement is waived as a result of AB 90. Staff noted local Measure T funds are largely used for capital matching, but may sometimes be used for operations. The City did implement a fare increase, but has not been able to see the full benefits of that change due to COVID-19.

**Status:** Partially implemented.

2. Develop and utilize a process to ensure data is compiled and reported consistently and accurately across all reporting mechanisms.

**Discussion:** Operators report performance data using multiple formats (State Controller and NTD reports, as well as internal reports and audits). While data may be prepared at different times and using slightly different definitions, it should be able to be tracked consistently across multiple formats.

During the preparation of the prior audit, it was determined the City had inaccurately reported its performance data (defined as ridership, vehicle service miles, and vehicle service hours) in the FY 2014/15 and FY 2015/16 State Controller Reports. In addition, employees appeared to have been double-counted, reported under both Motor Bus and Demand-Response modes.

The prior auditor recommended the City develop a process (which may involve investing in data management software) to support record-keeping regarding all performance data specific to National Transit Database, State Controller, and internal City reports. This could be the City's new Mobilitat software, provided it tracks all required TDA performance measures.

**Progress:** The City is using its Mobilitat software (now Syncromatics) to record operating data. This has improved the accuracy of reporting across multiple external and internal reports. City staff is still learning how to utilize all the features of the software, but has access to technical support as needed. (Mobilitat is not used for vehicle maintenance, as that activity is outsourced.)

**Status:** Implemented.

3. Ensure the proper methodology for calculating full-time equivalent (FTE) is used when reporting Employees on the State Controller Report.

**Discussion:** Public Utilities Code Section 99247(j) defines the vehicle service hours per employee metric as "the number of vehicle service hours divided by the number of employees employed in connection with the public transportation system, based on the assumption that 2,000 person-hours of work in one year constitutes one employee." The prior audit noted that, while the Transit Coordinator demonstrated an understanding of the TDA definition of FTE and the City's Finance department provided evidence of use of the proper calculation methodology, there was still confusion among staff as to when this definition should be used.

The recommendation advised City staff responsible for preparing the State Controller Report and transit management staff to be mindful of the TDA definition for full-time equivalent (FTE) as well as how it should be reported on the State Controller Report. In completing the State Controller Report, all staff hours worked for the full fiscal year should be added together, then divided by 2,000 to get the total FTE. The recommendation also noted this is not a recommendation for the City to change how it calculates FTE as part of its regular budgeting process. The use of this methodology is only necessary for reporting transit FTE on the Transit Operator's State Controller Report.

The recommendation also included a methodology for properly calculating FTE for staff who do not separately document their time spent on transit, yet are assigned as a percentage of their position.

**Progress:** The City appears to be reporting FTE accurately on State Controller Reports submitted for FY 2017/18 and FY 2018/19. The report for FY 2019/20 is currently pending.

**Status:** Implemented.

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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 data 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 Chowchilla both internally as well as to outside entities during the audit period.

Overall, data reporting for the City of Chowchilla was generally consistent between internal and external reports. The one area where inconsistencies were noted was operating cost. In FY 2018/19, there was a pension bond that was included as both a revenue and expenditure (pass-through) which was not reflected in the NTD report but was reflected in the TDA fiscal audit and State Controller Report. In FY 2017/18, however, it is unclear why the amount of operating cost in the TDA fiscal audit greatly exceeded that reported to the NTD and the State Controller.

Exhibit 5.1 Data Reporting Comparison

Performance Measure	System-Wide		
	FY 2017/18	FY 2018/19	FY 2019/20
<b>Operating Cost (Actual \$)</b>			
<i>TDA Fiscal Audit</i>	\$717,655	\$967,415	<i>Pending</i>
<i>National Transit Database</i>	\$416,148	\$463,361	\$339,170
<i>State Controller Report</i>	\$420,917	\$967,414	\$345,978
<b>Fare Revenue (Actual \$)</b>			
<i>TDA Fiscal Audit</i>	\$20,501	\$26,332	<i>Pending</i>
<i>Monthly Performance Reports</i>	\$20,422	\$26,332	\$25,578
<i>National Transit Database</i>	\$20,489	\$26,332	\$25,578
<i>State Controller Report</i>	\$20,489	\$26,332	\$25,578
<b>Vehicle Service Hours (VSH)</b>			
<i>Monthly Performance Reports</i>	2,422	2,143	1,939
<i>National Transit Database</i>	2,422	2,143	1,964
<i>State Controller Report</i>	2,422	2,143	1,939
<b>Vehicle Service Miles (VSM)</b>			
<i>Monthly Performance Reports</i>	23,524	22,797	16,022
<i>National Transit Database</i>	23,524	22,797	16,022
<i>State Controller Report</i>	23,524	22,797	15,095
<b>Passengers</b>			
<i>Monthly Performance Reports</i>	15,337	17,027	12,079
<i>National Transit Database</i>	15,337	17,027	12,077
<i>State Controller Report</i>	15,337	17,027	12,079
<b>Full-Time Equivalent Employees</b>			
<i>State Controller Report</i>	4	4	4
<i>Per TDA methodology</i>	3.6	3.6	3.6

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## 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) – excludes the following:

- Cost in the depreciation and amortization expense object class adopted by the State Controller pursuant to PUC Section 99243,

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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.

- 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>2</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.

#### TDA Required Indicators

To calculate the TDA indicators for the City of Chowchilla, 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 was determined to be consistent with TDA guidelines. In accordance with PUC Section 99247(a), the reported costs excluded depreciation and other allowable expenses.

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<sup>2</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.

- 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 is consistent with TDA guidelines as well as the uniform system of accounts.
- Vehicle Service Hours (VSH) data were obtained via NTD reports submitted to the FTA 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 NTD reports submitted to the FTA 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 NTD reports submitted to the FTA 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 verified through documents provided by the City.

#### System Performance Trends

Operating cost saw modest changes throughout the past six years, with the exception of FY 2018/19. In that year, a pass-through pension cost resulted in a significant increase in operating cost. Overall, operating cost saw a net decrease of 14.1 percent between FY 2014/15 and FY 2019/20. Fare revenues increased in FY 2017/18 and FY 2018/19 consistent with increases in ridership. A fare increase in FY 2019/20 helped to offset the effect of a decline in ridership due to COVID-19.

Vehicle service hours (VSH) generally declined throughout the six-year period, with a net decrease of 40.8 percent. A similar pattern was noted with respect to vehicle service miles (VSM), which saw a steady decrease of 68.9 percent during the same period. Ridership declined during the prior audit period but increased in FY 2017/18 and FY 2018/19 before dropping in FY 2019/20. Overall, there was a net 31.5 percent decrease in ridership across the six-year period.

Cost-related metrics saw a modest net change during the audit period, representing a slight decrease in efficiency. Passenger-related metrics were mixed, which can indicate a decline in productivity. Farebox recovery ratio remained below 10 percent through the six-year period.

Exhibit 6.1 System Performance Indicators

Performance Measure	System-wide					
	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
<b>Operating Cost (Actual \$)</b>	\$402,843	\$430,609	\$392,068	\$420,917	\$967,414	\$345,978
<i>Annual Change</i>		6.9%	-9.0%	7.4%	129.8%	-64.2%
<b>Fare Revenue (Actual \$)</b>	\$18,137	\$14,495	\$12,465	\$20,489	\$26,332	\$25,578
<i>Annual Change</i>		-20.1%	-14.0%	64.4%	28.5%	-2.9%
<b>Vehicle Service Hours (VSH)</b>	3,274	2,854	2,401	2,422	2,143	1,939
<i>Annual Change</i>		-12.8%	-15.9%	0.9%	-11.5%	-9.5%
<b>Vehicle Service Miles (VSM)</b>	51,438	42,627	29,076	23,524	22,797	16,022
<i>Annual Change</i>		-17.1%	-31.8%	-19.1%	-3.1%	-29.7%
<b>Passengers</b>	17,621	12,779	11,982	15,337	17,027	12,079
<i>Annual Change</i>		-27.5%	-6.2%	28.0%	11.0%	-29.1%
<b>Employees</b>	4	4	5	4	4	4
<i>Annual Change</i>		0.0%	25.0%	-20.0%	0.0%	0.0%
<b>Performance Indicators</b>						
<b>Operating Cost/VSH (Actual \$)</b>	\$123.04	\$150.88	\$163.29	\$173.79	\$451.43	\$178.43
<i>Annual Change</i>		22.6%	8.2%	6.4%	159.8%	-60.5%
<b>Operating Cost/Passenger (Actual \$)</b>	\$22.86	\$33.70	\$32.72	\$27.44	\$56.82	\$28.64
<i>Annual Change</i>		47.4%	-2.9%	-16.1%	107.0%	-49.6%
<b>Passengers/VSH</b>	5.38	4.48	4.99	6.33	7.95	6.23
<i>Annual Change</i>		-16.8%	11.5%	26.9%	25.5%	-21.6%
<b>Passengers/VSM</b>	0.34	0.30	0.41	0.65	0.75	0.75
<i>Annual Change</i>		-12.5%	37.5%	58.2%	14.6%	0.9%
<b>Farebox Recovery</b>	4.5%	3.4%	3.2%	4.9%	2.7%	7.4%
<i>Annual Change</i>		-25.2%	-5.6%	53.1%	-44.1%	171.6%
<b>Hours/Employee</b>	818.5	713.5	480.2	605.5	535.8	484.8
<i>Annual Change</i>		-12.8%	-32.7%	26.1%	-11.5%	-9.5%
<b>TDA Non-Required Indicators</b>						
<b>Operating Cost/VSM</b>	\$7.83	\$10.10	\$13.48	\$17.89	\$42.44	\$21.59
<i>Annual Change</i>		29.0%	33.5%	32.7%	137.2%	-49.1%
<b>VSM/VSH</b>	15.71	14.94	12.11	9.71	10.64	8.26
<i>Annual Change</i>		-4.9%	-18.9%	-19.8%	9.5%	-22.3%
<b>Fare/Passenger</b>	\$1.03	\$1.13	\$1.04	\$1.34	\$1.55	\$2.12
<i>Annual Change</i>		10.2%	-8.3%	28.4%	15.8%	36.9%

Exhibit 6.2 System Ridership

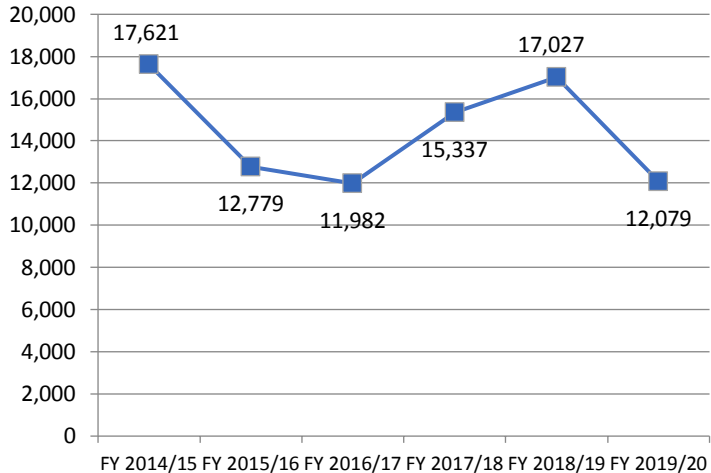


Exhibit 6.3 System Operating Cost/VSH

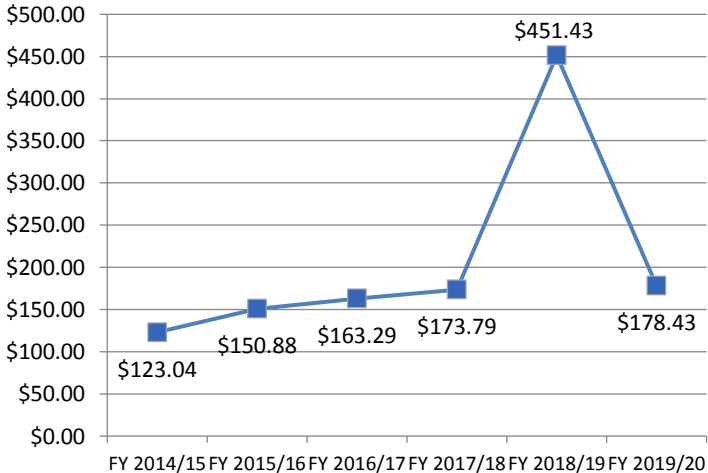


Exhibit 6.4 System Operating Cost/VSM

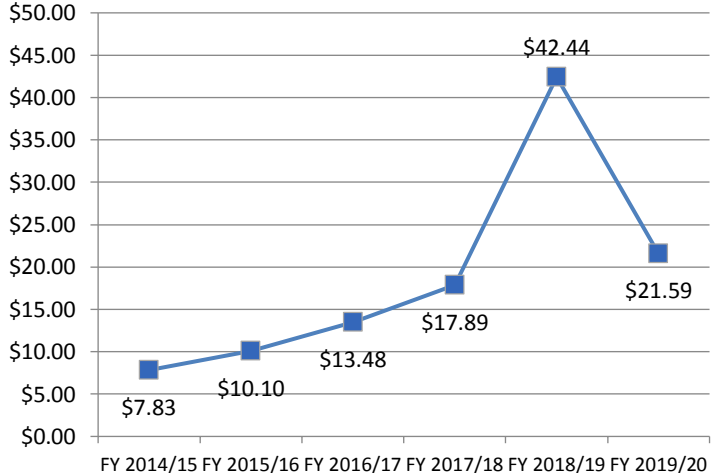


Exhibit 6.5 System VSM/VSH

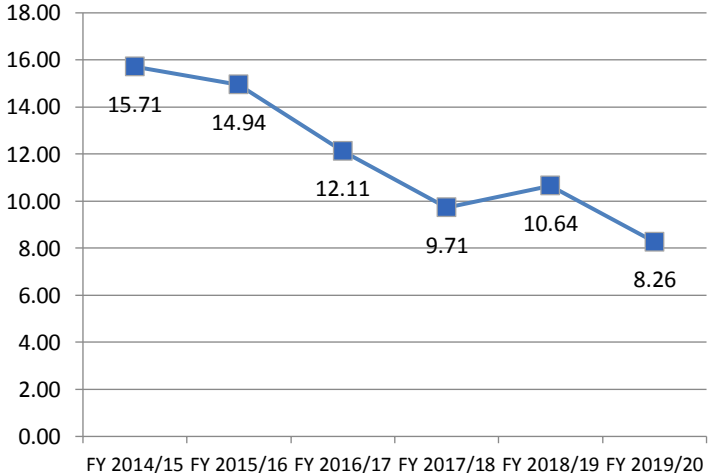


Exhibit 6.6 System Operating Cost/Passenger

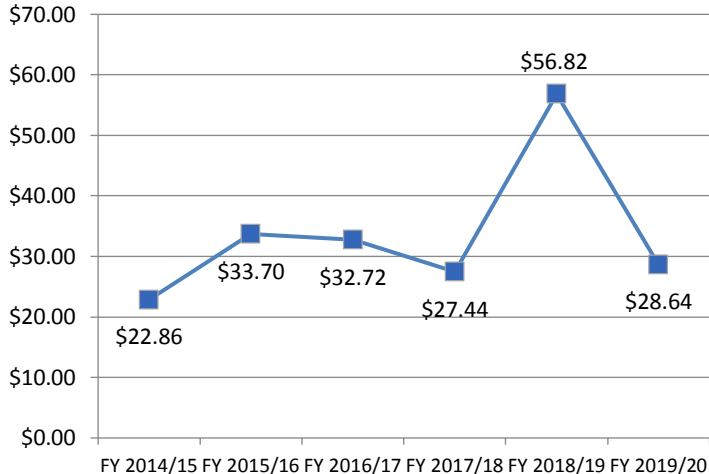


Exhibit 6.7 System Passengers/VSH

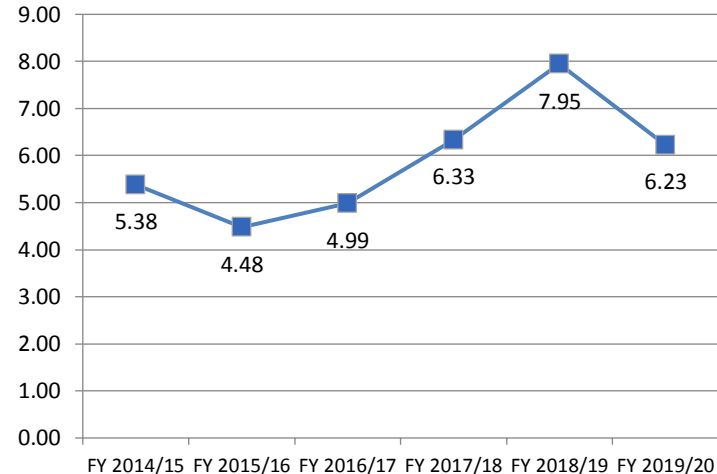


Exhibit 6.8 System Passengers/VSM

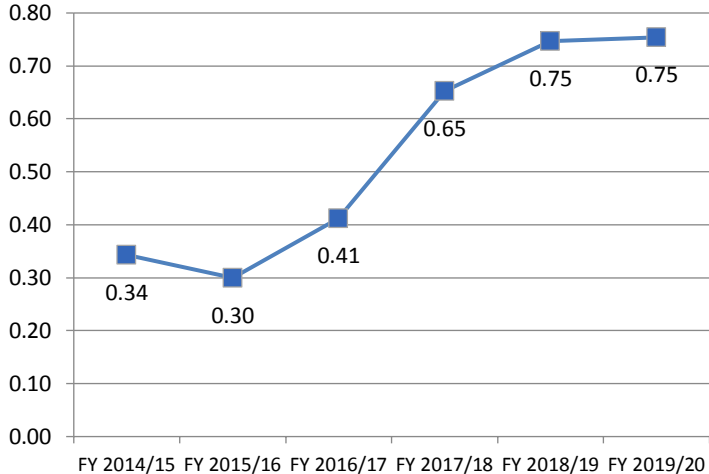


Exhibit 6.9 System VSH/FTE

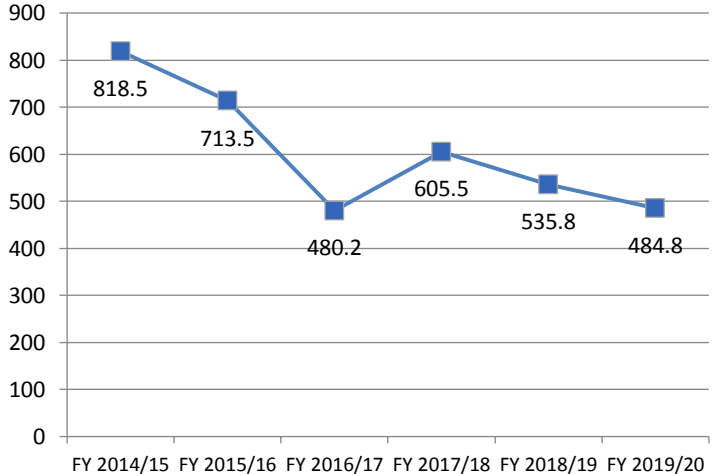




Exhibit 6.10 System Farebox Recovery

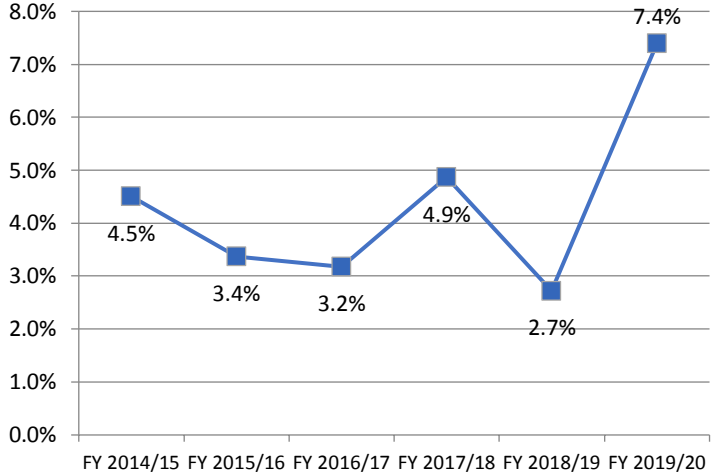
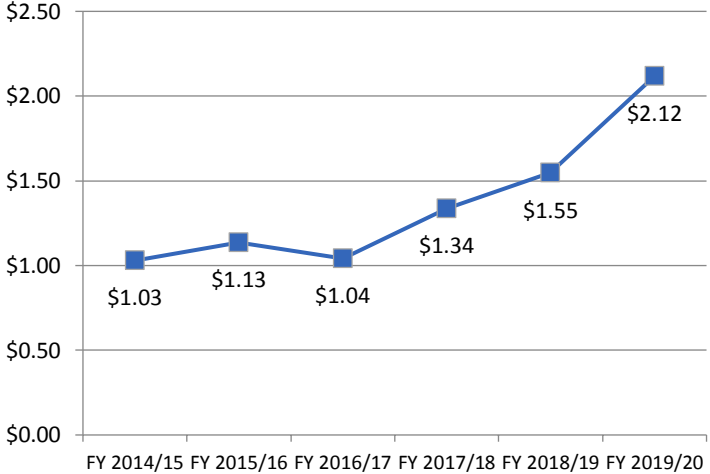


Exhibit 6.11 System Fare/Passenger



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## Chapter 7 | Functional Review

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

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

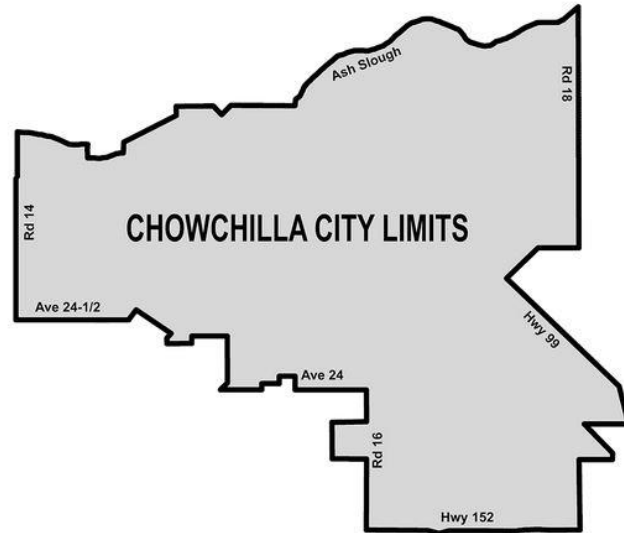
### Service Overview

The City of Chowchilla currently operates a general public curb-to-curb demand-response service branded as Chowchilla Area Transit (CATX). The service operates Monday through Friday between 7:30 a.m. and 3:30 p.m.

The service operates within Chowchilla city limits, with some service to limited destinations outside city limits via the Chowchilla Gold Line, which is also a general public demand-response service. There is a higher fare for Gold Line trips. Discounted multi-ride passes are available for persons age 60 and older, ADA-eligible customers, and students of all ages.



Exhibit 7.1 CATX Service Area



Public hearings are held on an as-needed basis, primarily in conjunction with a fare or service change. The most recent public hearing was held in advance of the fare increase which was implemented in July 2019. The fare increase raised the general public fare from \$1.50 to \$2.00 per trip. It also eliminated Zone 2 trips within the County areas. (Those trips are now provided by Madera County, although trips beginning or ending in Chowchilla are considered Gold Line trips with a one-way fare of \$3.00).

Exhibit 7.2 CATX Fare Structure

Fare Media	Cost
Children age 3 and younger	Free
General Public cash	\$2.00
General Public ticket	\$2.00
Chowchilla Gold Line	\$3.00
General Public 10-ride pass	\$20.00
10-ride Senior (60+ years)/ADA pass	\$15.00
20-ride Student pass	\$34.00

### General Management and Organization

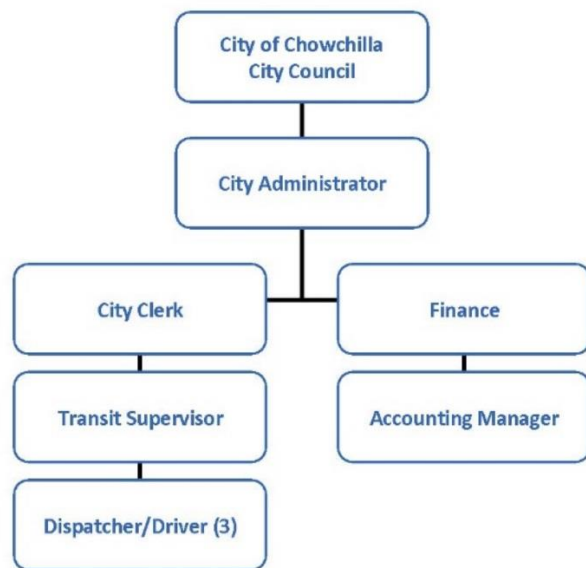
Effective July 1, 2017, operation of CATX was brought back in-house by the City. Prior to that, the service was operated by Merced Transportation Company. The City felt its transit operation was overshadowed by Merced Transportation Company’s larger contracts, which ultimately led to the decision to bring the service in-house. This decision also resulted in the City receiving TDA Article 4 funds rather than the prior Article 8(c) funds.

CATX is currently operated with a dedicated staff of three – one transit coordinator (who reports to the city clerk) and two driver/dispatchers. At the time of the audit report preparation, the second driver was on medical leave. This staffing plan has been sufficient during the COVID-19 pandemic, but is not sustainable in the long-term. The transit coordinator would like to hire another part- or full-time

driver/dispatcher. All transit staff are trained and certified to be drivers. Maintenance is no longer provided by the City's fleet maintenance department, but is contracted out to a local mechanic.

The Chowchilla city council serves as the governing board for CATX. The council meets at 7:00 p.m. on the second and fourth Tuesday of each month. All meetings are open to the public and noticed and posted according to City policies. Council meetings are held in the council chambers located at 130 S. Second Street. The city council is invested in the transit service and its riders. The council was supportive of bringing the service back in-house; the fare increase implemented on July 1, 2019; and the rebranding which took place a few years ago. The City does not have a transit citizens advisory committee.

Exhibit 7.3 Organizational Chart



Source: City of Chowchilla.

The Madera County Transportation Commission (MCTC) holds monthly Technical Advisory Committee (TAC) meetings and quarterly Transit meetings. The transit coordinator attends TAC and transit meetings. The City belongs to the California Association for Coordinated Transportation (CalACT), which gives it access to professional development, networking and educational opportunities, and access to the CalACT/MBTA Purchasing Cooperative. The transit coordinator also participates in meetings and activities of the Central Valley Transit Managers group and coordinates with Caltrans and the FTA.

Annual budgeting is accomplished as a joint effort by the transit coordinator, city clerk, and accounting manager. The transit coordinator has no control over indirect costs, only direct costs related to transit. There is concern that indirect costs continue to rise even when transit costs are held in check. The budget undergoes a mid-year review, at which time adjustments can be made as needed. The transit coordinator actively seeks out grant opportunities and prepares applications, while both the transit coordinator and accounting manager can do drawdowns and administer the grants. The City's financial data is managed through the Caselle software platform, although the City is in the process of implementing the Tyler Technologies Munis platform.

Risk management is under the purview of the city clerk. The City participates in a joint powers agreement which established the Central San Joaquin Valley Risk Management Authority (CSJVRMA). For transit-related incidents with injury, transit staff completes a claim form, which is then submitted to the city clerk.

The City has established policies for procurement that exceed FTA requirements. Any expenditures in excess of \$5,000 must be approved by the city council. The City does not have an internal audit function, but contracts out its audits.

### Service Planning

MCTC produces a county-wide Short Range Transit Development Plan, which was last updated in March 2017. The City feels its relationship with MCTC has improved and transit staff receives satisfactory guidance. The transit coordinator frequently reaches out to CalACT and other professional groups for supplemental operational guidance and support.

The primary goals for the City's transit program are customer service, dependability, and to be the best transit system for its small town with top-of-the-line equipment. The program has almost 300 unique riders. Despite ridership being significantly impacted by the COVID-19 pandemic, the service is necessary to its clients.

The City has completed all planned capital projects including new two-way radios; software system; a control room for the transit server; construction of a new antenna system; and cameras onboard the vehicles, in the yard, and at the Civic Center where the buses are stored. Local short-range planning consists primarily of a whiteboard with a list of dreams, visions, and goals for the transit program in the transit coordinator's office. Other program goals include effectively spending all received grant money (currently working on facility enhancements), continuing to apply for money available through a variety of sources, and using existing LCTOP money to install unified shelters at main points of interest throughout the City so clients have a safe place to wait for the bus.

### Scheduling, Dispatch, and Operations

In December 2017, the City transitioned to Syncromatics, formerly known as Mobilat, for dispatching and scheduling. Prior to this time, the City used physical trip manifests to develop its performance data. Syncromatics can generate a wide range of reports; while City staff are still learning what the system can do, they are happy with the support and guidance they receive from the developer. The software is not used for fleet maintenance.

The City is very interactive with the way it dispatches. Typically, there is space left in the manifest to fill in gaps as customers call for rides. The Syncromatics software allows for



callouts, although the dispatcher currently calls customers by hand when the bus is on the way to the pick-up location.

The City's transit vehicles feature manual fareboxes, which are emptied at the end of each day. The transit coordinator pulls each vault and takes it to the operations room for counting in the presence of the driver. The operations room is not equipped with cameras, but the finance department is. Reconciliation is performed using the Syncromatics software at the end of the day. The cash, counting sheet, and software reconciliation summary are placed in a bank bag and delivered to finance, where fares are counted a second time. Finance enters the fares as revenue and handles the bank deposit.

Customer complaints are documented and kept in a binder in the transit coordinator's office. Each incident is investigated and an interview with driver is conducted if necessary. The transit coordinator conducts follow up for all complaints. The program estimates receiving four complaints each year.

CATX provides a significant level of school service in the afternoon (as normal morning bell times typically lie outside the existing span of service). School bus transportation is provided for students living in county areas as well as between schools. This is based on long-standing practices within the city, as elementary schools are limited to one or two grades and dispersed throughout the community. Prior to the 2020 pandemic, CATX estimated 15-25 school rides/day (compared to 40-60 general public rides/day).

#### Personnel Management and Training

All CATX drivers have school bus experience and are GPPV-certified. Drivers are cross-trained as dispatchers and all can drive any transit vehicles the City owns. The transit coordinator is also GPPV-certified and can drive when needed.

The transit coordinator is responsible for reviewing driver's daily timecards. All full-time employees are eligible for City benefits, including medical, vision, and dental insurance as well as PERS retirement. Part-time employees are eligible for sick time only. Part-time drivers typically work 20 hours per week.

The transit department would like to budget to hire one more full-time driver/dispatcher. At the moment, one driver is out on medical leave which requires the transit coordinator to dispatch full time. For the City's ongoing recruitment, the position is advertised via the City's webpage, CalOpps, and CalACT, with the goal of finding someone local who can meet the credential requirements. The City receives interest, but none that have the necessary credentials and qualifications. A candidate without an existing license can take up to six months to train, which is a significant commitment for a part-time position that will likely be used as a transition to full-time employment elsewhere.

The transit coordinator trains new drivers on the transit software and local navigation and holds monthly safety meetings, though regular meetings with drivers are much more frequent and are often informal. Safety meetings typically address a specific safety issue or area of concern. The City utilizes the state trainer when training is needed. In addition, drivers complete RTAP workbooks/modules and participate in webinars through CalACT

The City has a defined disciplinary process. The transit coordinator and full-time driver/dispatchers are represented by the Chowchilla Office Employees Association (COEA). The COEA has bylaws as well as a payroll policy guide.

#### Marketing and Public Information

The City's transit marketing is relatively simple, including a bilingual service brochure, a page on the City's website, and twice annual water bill inserts. Transit staff had historically attended career day at the local high school, yet have not participated in that event in recent years. A community "Block Party" was a successful and fun way to introduce and familiarize local youth with the bus. The City would like to do more outreach. The transit coordinator also periodically travels to Merced to observe how the JPA's transit program is being marketed. All transit employees speak Spanish, and all vital transit documents are available in Spanish.

The transit department participated in a city-wide beautification survey which queried current CATX riders about their satisfaction of the service, possible underserved destinations, wants, needs, vehicle access, etc. A non-rider survey was conducted several years prior to that (included within the City's water bill).

Overall, the public perception is that long-time riders are very pleased. They know the drivers and consider the service to be more reliable now that it is in-house.

MCTC handles the countywide "unmet transit needs" process, though it has been a while since a meeting has been held in Chowchilla. The transit coordinator generally encourages MCTC to provide food at such meetings to encourage participation.

#### Maintenance

Vehicle maintenance is provided by a contracted local mechanic who is responsible for maintaining all paperwork (including daily vehicle inspection reports), preventative maintenance, and CHP inspections. The mechanic performs all 45-day inspections as well as all simple and major repairs. The mechanic has sufficient capacity to perform all necessary work in a timely manner. Vehicles are well maintained and well cared for.

The vehicles currently in use include a 2017 Transit Van and a 2017 Glaval Medium-Duty cutaway bus. The City also has two backup vehicles in its fleet (2010 and 2011 models). All buses are equipped with wheelchair lifts, onboard cameras, and feature bike racks. The newer vehicles were funded through PTMISEA and FTA Section 5339 grants. The City rotates use of the vehicles based on number of reservations and distance traveled for service. Funding for the next replacement bus has already been identified and approved.

The two backup vehicles should have already been disposed of. However, they are larger than the newer vehicles, and the City has been using them during the COVID-19 pandemic as they support rider social distancing.

The City owns and maintains four bus shelters – two at local apartment complexes, one on Robertson (also a Madera County Connection stop), and one at Save Mart. Regular maintenance of the shelters



includes emptying the trash. Graffiti is removed by Public Works staff as needed. The City currently has PTMISEA funds for facility enhancements and intends to install two additional bus shelters.

Exhibit 7.4 City of Chowchilla Transit Fleet

Bus #	Model Year	Make/Model	Capacity	Status	Mileage (7/1/20)	Replacement Year
20-11	2010	Ford F350 Startrans	16 + 2	Backup	79,053	2017
22-12	2011	Ford F350 Startrans	16 + 2	Backup	64,898	2018
21-17	2017	Ford Transit 350 HD	8 + 1	Active	13,236	2022
29-17	2017	Glaval Ford E450	12 + 2	Active	25,765	2023

### Impact of the COVID-19 Pandemic

In response to the pandemic, CATX capped vehicle capacity to enable social distancing and all riders are encouraged to wear masks. Riders who do not wish to wear a mask are set up as a single rather than shared ride (although such instances have been few). Ride reservations are grouped together, allowing the vehicle to travel north to south, then be disinfected before traveling north again. Ample personal protective equipment (PPE) is available to drivers and staff (i.e., masks, gloves, driver shield, hand sanitizer, etc.). The interior of the vehicles is sprayed with Vital Oxide, a mild disinfectant approved by the EPA for use against the SARS-CoV-2 virus. Generally speaking, riders comply with wearing a mask and understand social distancing. Complimentary asks and hand sanitizer are available to riders onboard the vehicles.



Ridership and fare revenue have both decreased during the pandemic. This is due in large part to schools using distance learning and ongoing stay-at-home orders. In FY 2019/20, ridership decreased by nearly 30 percent over the prior year.

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## Chapter 8 | Findings and Recommendations

### Conclusions

In FY 2017/18, at the time it brought its transit operations in-house, the City of Chowchilla began receiving TDA Article 4 funding (as it was no longer eligible to receive Article 8(c) funding). As a result, the City is required to comply with all provisions under Article 4. Compliance findings and recommendations intended to improve the effectiveness and efficiency of the operator are detailed below.

### 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. The City of Chowchilla did not meet the TDA farebox recovery ratio requirement during FY 2017/18.
2. The City of Chowchilla did not submit its TDA fiscal audits within the stipulated timeframe.
3. In FY 2017/18 and FY 2019/20, the City of Chowchilla did not meet either of the STA efficiency standards and therefore was not eligible to use its full STA allocation for operating purposes.

The audit team has identified no functional findings.

### Program Recommendations

In completing this Triennial Performance Audit, the auditors submit the following recommendations for the City of Chowchilla'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.

Given there were no functional findings, only compliance findings are discussed below.

### Compliance Finding 1: The City of Chowchilla did not meet the TDA farebox recovery ratio requirement during FY 2017/18 of the audit period.

**Criteria:** PUC 99268.4 states that transit operators serving non-urbanized areas must maintain a ratio of fare revenues to operating cost at least equal to one-tenth, or 10 percent.

**Condition:** This finding and recommendation were initially identified in the prior audit period, and continued into the current audit period. In FY 2017/18, the farebox recovery ratio calculated by the audit team stood at 5.43 percent, well below the 10 percent threshold. In FY 2018/19, the farebox recovery ratio stood at 54.21 percent due to additional expenses and revenue from a pension bond. In FY 2019/20,

the inclusion of other operating revenues resulted in a farebox recovery ratio of 9.74 percent. However, the farebox recovery ratio penalty was waived for FY 2019/20 (AB 90) due to the COVID-19 pandemic.

One of the challenges of determining compliance with the farebox recovery ratio is the lack of a detailed farebox recovery ratio calculation in the annual TDA fiscal audit. A separate recommendation has been included in MCTC's audit recommending the TDA fiscal auditor include this information (inclusive of all supplemental revenues and allowable exclusions) in each transit operator's annual TDA audit.

While the City of Chowchilla failed to meet its farebox recovery ratio threshold during the prior audit period, the current audit period is the first in which the City is a recipient of Article 4 funding, and therefore subject to the penalties as identified in CCR 6633.9. This would make FY 2017/18 the one-time grace year, during which no penalty is assessed. By exceeding 10 percent in FY 2018/19 and the statewide waiver in FY 2019/20 and FY 2020/21, the City will not face any potential farebox recovery ratio-related penalty until FY 2021/22.

**Cause:** Failure to maintain the required farebox recovery ratio can have a number of causes. These include insufficient ridership to generate sufficient fare revenues, increased operating costs, lack of supplemental locally generated revenues, or a combination of causes. In FY 2019/20, the COVID-19 pandemic significantly impacted the farebox recovery ratio. However, in response to the pandemic, AB 90 waived penalties for not meeting the farebox recovery ratio threshold for FY 2019/20 and FY 2020/21.

**Effect:** Regardless of the cause, failing to maintain the minimum farebox recovery ratio results in the operator being out of compliance with the TDA and, except for a one-time grace year, makes the operator subject to a financial penalty as discussed in CCR 6633.9.

**Recommendation:** Work toward meeting the 10 percent farebox recovery ratio requirement stipulated by the TDA.

**Recommended Action:** This recommendation is complicated for a number of reasons, the first of which is the COVID-19 pandemic. While the farebox recovery ratio penalty has been waived statewide for FY 2019/20 and FY 2020/21, social distancing requirements, capacity limitations, and reduced ridership are likely to continue into the next fiscal year. As such, it is unknown as to whether there will be an additional year for which the penalty is waived, whether federal CARES Act funding (some of which is intended to backfill lost fare revenue) will be allowed to be counted toward the farebox recovery ratio, or if further progress will be made toward the implementation of alternative performance measures and/or the elimination of the financial penalty. Regardless, across the next audit period, the City should continue to work to improve its farebox recovery ratio to meet the TDA requirement by increasing fare revenues, identifying supplemental revenues that can be applied to the farebox recovery ratio calculation, and controlling operating expenses. Supplemental revenues are locally generated funds that may include general fund contributions, developer fees, revenue from the sale of surplus vehicles, advertising revenues, interest income, rental/lease income, etc. The City should also bear in mind that operating costs and fare revenues for a pilot or demonstration project can be excluded from the farebox recovery ratio calculation if desired, provided the conditions of PUC 99268.8 are met.

**Timeline:** Beginning with FY 2021/22, or as soon as is feasible considering the COVID-19 pandemic.

**Anticipated Cost:** Variable.

**Management Response:** This is an ongoing issue with many agencies and although we have tried to remedy this problem, with monetary increases to our ridership and bus pass fares, the City, as with many other agencies, was met with COVID in FY 2019/20. The City was not able to recognize the full value of those increases during this time.

**Compliance Finding 2: The City of Chowchilla did not submit its TDA fiscal audits within the stipulated timeframe.**

**Criteria:** PUC 99245 requires the RTPA ensure a fiscal audit of TDA funds within 180 days following the end of the fiscal year (generally December 31). The RTPA may grant an extension of up to 90 days (generally March 31) as it deems necessary.

**Condition:** In Madera County, the MCTC contracts for the single-year TDA fiscal audits for all transit operators. However, none of the operator audits were completed or submitted within the allowable 270-day period. This is due primarily to the late start of the auditors, who for FY 2019/20 had not started the audits at the time this report was prepared. The City has no control over the schedule of the audits when contracted by MCTC, only over its ability to provide appropriate data to the auditor when requested. IN addition, there have been no issues identified with respect to the City's role in the TDA audit process to-date.

**Cause:** The cause for the late submittals is likely two-fold. First and foremost, the MCTC auditor may not contractually be held to the TDA-stipulated deadline, and therefore has no incentive to complete the audits by March 31. Second, the transit operators (cities and County) may close out their own books too late to complete the TDA audits by March 31. (This may not become apparent until the MCTC auditor is contractually held to the TDA deadline.)

**Effect:** Late submittal of the TDA fiscal audits, regardless of the cause, results in the transit operator and the RTPA being out of compliance with the TDA.

**Recommendation:** Once MCTC has addressed the late submittal of the audits with its auditor, the City should ensure its financial reporting is completed in a timely manner, thereby enabling the TDA fiscal audit to be completed within the established timeframe.

**Recommended Action:** It is not the City's responsibility to ensure on-time completion of the TDA fiscal audits when that auditor is contracted by the RTPA.<sup>3</sup> However, once MCTC begins contractually holding its auditor to the TDA deadline, the City should ensure it can provide the required financial information to MCTC's auditor in a timely enough manner that the auditor is able to complete the TDA fiscal audit on time. Transit staff should ensure City financial staff are aware of the time constraint specific to transit under the TDA. Typically, local government agencies have until March 31 to file their audits for the prior

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<sup>3</sup> A corresponding finding has been included in the FY 2018 – FY 2020 TDA Triennial Performance Audit of MCTC.

fiscal year.<sup>4</sup> This can create problems in filing TDA fiscal audits if City Finance staff are unaware of the earlier deadline for transit operators. If the City's financial data would not be available if the MCTC auditor started the process earlier (in January, for example), then this issue needs to be addressed. If the City's financial data is already available by this time, then no additional action will need to be taken.

**Timeline:** Beginning with TDA fiscal audits for FY 2020/21. Alternately, if the City has an existing contract with an auditor, revisions to contracted timelines should be incorporated when the contract is renewed or rebid.

**Anticipated Cost:** Negligible.

**Compliance Finding 3: In FY 2017/18 and FY 2019/20, the City of Chowchilla did not meet either of the STA efficiency standards and was not eligible to use its full STA allocation for operating purposes.**

**Criteria:** PUC 99314.6 sets forth qualifying criteria for using State Transit Assistance (STA) funds for operating purposes. The transit operator must meet at least one of two efficiency standards in order to use its full allocation for operating purposes. If the operator does not meet either efficiency standard, the amount available for operating is reduced by the lowest percentage by which the cost per revenue hours exceeded the target amount necessary to meet the efficiency standard. This remaining portion of the allocation may only be used for capital purposes.

**Condition:** For FY 2017/18, the City missed the efficiency standard by 15.37 percent (test #1) and 0.75 percent (test #2). As a result, the City's STA allocation available for operating purposes (\$80,101) should have been reduced by 0.75 percent (\$600.76), and the reduced amount would be available for capital uses.

While the PUC does not specifically state that STA funds allocated to another entity (such as the County of Madera) and subsequently allocated to the City of Chowchilla must also meet these qualifying tests, it is the audit team's belief that they should. This ensures an operator using any STA funding for operating purposes meets one of the efficiency standards. For FY 2017/18, the County share allocated to the City of Chowchilla (\$107,274) should also have been reduced by 0.75 percent (\$804.56), and the reduced amount would be available for capital uses.

For FY 2019/20, the City missed the efficiency standard by 2.98 percent (Test #1) and 6.68 percent (Test #2). As a result, the City's STA allocation (\$128,850) available for operating purposes should have been reduced by 2.98 percent (\$3,838.94). The City did not receive a share of the County's STA allocation as the County consolidated its services in FY 2019/20 and not longer purchased services from the City.

Based on the FY 2017/18 State Controller Report, it appears the City used its full STA allocation for operating purposes. However, this could not be confirmed. At the time of this report, the FY 2019/20 State Controller Report had yet to be completed.

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<sup>4</sup> Due to COVID-19, that deadline was extended by six months for FY 2018/19 and FY 2019/20 audits. However, the requirement for transit operators was not extended for FY 2019/20.

Exhibit 8.1 STA Efficiency Standard Tests, FY 2017/18

Operator's STA Qualifying Criteria (99314.6) - Worksheet		FY 2017/18			
FISCAL YEAR (Audited Data)	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	
A. Operating Cost	\$345,932	\$391,183	\$402,249	\$1,535,051	
B. Operating Cost Exclusions: (Depreciation already excluded)					
Reimbursement agreement (pass-thru)				\$1,122,700	
C. Adjusted Operating Cost (A-B)	\$345,932	\$391,183	\$402,249	\$412,351	
D. Revenue Vehicle Hours (RVH)	2693	2326	3274	2854	
E. RVH Exclusions: (add sheets if required)					
F. Adjusted RHV (D-E)	2693	2326	3274	2854	
G. Operating Cost per RVH (C/F)	\$128.46	\$168.18	\$122.86	\$144.48	
I. Operating Cost per RVH	\$128.46	\$168.18	\$122.86	\$144.48	
	W	X	Y	Z	
H. % Change in CPI				1.93%	
% Change in CPI 3 prior years (change in annual CPI between first year of first fiscal year and last year of last fiscal year)	3.05%				
<b>Efficiency Standard 1:</b>					
Z must be less than or equal to (Y)*(CPI%) [CPI% = average percentage change in the CPI%]					
	Z =	\$144.48	Difference:	\$19.25	
	Y =	\$125.23	Percentage:	15.37%	
	[Y + Y * (CPI)] =	\$125.23			
<b>Efficiency Standard 2:</b>					
[(X + Y + Z) / 3] must be less than or equal to [(W + X + Y) / 3] (3-year CPI%)					
	[(X + Y + Z) / 3] =	\$145.17	Difference:	\$1.08	
	[(W + X + Y) / 3] =	\$139.83	Percentage:	0.75%	
	[(W + X + Y) / 3] + [(W + X + Y) / 3] * CPI =	\$144.10			
<b>For RTPA Use Only</b>					
Operator qualifies under:					
Standard 1:	<input type="checkbox"/> Yes	<input type="checkbox"/> No			
Standard 2:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No			
STA allocation less 0.75% may be used for operations The balance must be used for capital					



Exhibit 8.2 STA Efficiency Standard Tests, FY 2018/19

Operator's STA Qualifying Criteria (99314.6) - Worksheet		FY 2018/19			
FISCAL YEAR (Audited Data)	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	
A. Operating Cost	\$391,183	\$402,249	\$1,535,051	\$392,068	
B. Operating Cost Exclusions: (Depreciation already excluded)					
Reimbursement agreement (pass-thru)			\$1,122,700		
C. Adjusted Operating Cost (A-B)	\$391,183	\$402,249	\$412,351	\$392,068	
D. Revenue Vehicle Hours (RVH)	2326	3274	2854	2401	
E. RVH Exclusions: (add sheets if required)					
F. Adjusted RHV (D-E)	2326	3274	2854	2401	
G. Operating Cost per RVH (C/F)	\$168.18	\$122.86	\$144.48	\$163.29	
I. Operating Cost per RVH	\$168.18	\$122.86	\$144.48	\$163.29	
	W	X	Y	Z	
H. % Change in CPI				2.84%	
% Change in CPI 3 prior years (change in annual CPI between first year of first fiscal year and last year of last fiscal year)	3.12%				
<b>Efficiency Standard 1:</b>					
Z must be less than or equal to (Y)*(CPI%) [CPI% = average percentage change in the CPI%]					
	Z =	\$163.29	Difference:	\$14.71	
	Y =	\$148.58	Percentage:	9.90%	
	[Y + Y * (CPI)] =	\$148.58			
<b>Efficiency Standard 2:</b>					
[(X + Y + Z) / 3] must be less than or equal to [(W + X + Y)/3] (3-year CPI%)					
	[(X + Y + Z) / 3] =	\$143.55	Difference:	-\$6.15	
	[(W + X + Y) / 3] =	\$145.17	Percentage:	-4.11%	
	[(W + X + Y) / 3] + [(W + X + Y) / 3]*CPI =	\$149.70			
<b>For RTPA Use Only</b>					
Operator qualifies under:					
Standard 1:	<input type="checkbox"/> Yes	<input type="checkbox"/> No			
Standard 2:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No			
The City may use all of its STA allocation for operations.					



Exhibit 8.3 STA Efficiency Standard Tests, FY 2019/20

Operator's STA Qualifying Criteria (99314.6) - Worksheet		FY 2019/20			
FISCAL YEAR (Audited Data)	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	
A. Operating Cost	\$402,249	\$1,535,051	\$392,068	\$420,917	
B. Operating Cost Exclusions: (Depreciation already excluded)					
Reimbursement agreement (pass-thru)		\$1,122,700			
C. Adjusted Operating Cost (A-B)	\$402,249	\$412,351	\$392,068	\$420,917	
D. Revenue Vehicle Hours (RVH)	3274	2854	2401	2422	
E. RVH Exclusions: (add sheets if required)					
F. Adjusted RVH (D-E)	3274	2854	2401	2422	
G. Operating Cost per RVH (C/F)	\$122.86	\$144.48	\$163.29	\$173.79	
I. Operating Cost per RVH	\$122.86 W	\$144.48 X	\$163.29 Y	\$173.79 Z	
H. % Change in CPI				3.35%	
% Change in CPI 3 prior years (change in annual CPI between first year of first fiscal year and last year of last fiscal year)	4.82%				
<b>Efficiency Standard 1:</b>					
Z must be less than or equal to (Y)*(CPI%) [CPI% = average percentage change in the CPI%]					
	Z =	\$173.79	Difference:	\$5.03	
	Y =	\$168.76	Percentage:	2.98%	
	[Y + Y * (CPI)] =	\$168.76			
<b>Efficiency Standard 2:</b>					
[(X + Y + Z) / 3] must be less than or equal to [(W + X + Y) / 3] (3-year CPI%)					
	[(X + Y + Z) / 3] =	\$160.52	Difference:	\$10.05	
	[(W + X + Y) / 3] =	\$143.55	Percentage:	6.68%	
	[(W + X + Y) / 3] + [(W + X + Y) / 3] * CPI =	\$150.47			
<b>For RTPA Use Only</b>					
Operator qualifies under:					
Standard 1:	<input type="checkbox"/> Yes	<input type="checkbox"/> No			
Standard 2:	<input type="checkbox"/> Yes	<input type="checkbox"/> No			
STA allocation less 2.98% may be used for operations The balance must be used for capital					

**Cause:** This was caused by the RTPA failing to incorporate the test of efficiency standards into its TDA claims process.<sup>5</sup>

**Effect:** The City of Chowchilla may have been allowed to use funds for operating purposes that should have been restricted to capital uses.

**Recommendation:** Verify with MCTC that one or both efficiency standards are met before claiming the full allocation of STA funding for operations.

**Recommended Action:** MCTC should conduct the efficiency tests as part of its annual TDA claims process. The City should be aware of this requirement and confirm with MCTC that it meets one or both STA efficiency standards before claiming the full allocation of STA funding for operating purposes. If the City does not meet either standard, then the balance will need to be used for capital purposes only.<sup>6</sup>

AB 90, in addition to waiving the penalty for noncompliance with the farebox recovery ratio for two years, also waived the STA qualifying test for FY 2020/21 and FY 2021/22. Therefore this recommendation will not be relevant until 2022/23.

**Timeline:** Beginning with STA allocations for FY 2022/23.

**Anticipated Cost:** Variable.

Exhibit 8.4 Summary of Audit Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Work toward meeting the 10 percent farebox recovery ratio requirement stipulated by the TDA.	High	FY 2021/22
2	Once MCTC has addressed the late submittal of the audits with its auditor, the City should ensure its financial reporting is completed in a timely manner, thereby enabling the TDA fiscal audit to be completed within the established timeframe.	Medium	FY 2020/21
3	Verify with MCTC that one or both efficiency standards are met before claiming the full allocation of STA funding for operations.	Medium	FY 2022/23

<sup>5</sup> A similar recommendation has been included in MCTC's FY 2018 – FY 2020 Triennial Performance Audit.

<sup>6</sup> A full discussion of how to test for STA eligibility using the efficiency standards is included in MCTC's FY 2018 – FY 2020 Triennial Performance Audit.