



Proposal to Conduct Triennial Performance Audits for the Humboldt Transit Authority

For Fiscal Years 2016-17, 2017-18 and 2018-19



Prepared for the

**Humboldt County
Association of Governments**

Prepared by

LSC Transportation Consultants, Inc.



HUMBOLDT TRANSIT AUTHORITY

TRIENNIAL PERFORMANCE AUDIT

FY 2016-17 to FY 2018-19

Prepared for

Humboldt County Association of Governments
611 I St.
Eureka, CA 95501
707-444-8208

Prepared by

LSC Transportation Consultants, Inc.
2690 Lake Forest Road, Ste. C
P.O. Box 5875
Tahoe City, California 96145
530-583-4053



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LSC # 197380

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TABLE OF CONTENTS

| | |
|--|----|
| Chapter 1: Executive Summary | 1 |
| Chapter 2: Triennial Performance Audit Results | 5 |
| Chapter 3: Conclusions and Recommendations | 31 |

LIST OF TABLES

| <i>TABLE</i> | <i>PAGE</i> |
|---|-------------|
| 1 Humboldt Transit Authority Fixed Route Services Performance Measures | 8 |
| 2 Humboldt Transit Authority Dial-A-Ride Services Performance Measures | 9 |
| 3 Humboldt Transit Authority Services Systemwide Operating Data Summary | 10 |
| 4 Transit Operate Compliance Requirements – Humboldt Transit Authority | 22 |

LIST OF FIGURES

| <i>FIGURE</i> | <i>PAGE</i> |
|---|-------------|
| 1 HTA Local Fixed Routes Services Operating Cost per Passenger-Trip | 14 |
| 2 HTA Demand Response Operating Cost per Passenger-Trip | 14 |
| 3 HTA Systemwide Operating Cost per Passenger-Trip | 15 |
| 4 HTA Fixed Route Services Operating Cost per Hour | 15 |
| 5 HTA Demand Response Operating Cost per Hour | 16 |
| 6 HTA Systemwide Operating Cost per Hour | 16 |
| 7 HTA Fixed Route Services Passengers per Hour | 17 |
| 8 HTA Demand Response Passengers per Hour | 17 |
| 9 HTA Systemwide Passengers per Hour | 17 |
| 10 HTA Fixed Route Services Passengers per Mile | 18 |
| 11 HTA Demand Response Passengers per Mile | 18 |
| 12 HTA Systemwide Passengers per Mile | 19 |
| 13 HTA Systemwide Hours per FTE | 19 |
| 14 HTA Fixed Route Services Farebox Ratio | 20 |
| 15 HTA Demand Response Farebox Ratio | 20 |
| 16 HTA Systemwide Farebox Ratio | 20 |

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The California Public Utilities Code requires that all transit operators that receive funding under Article 4 of the Transportation Development Act (TDA) be subject to a performance audit every three years. This document presents the findings from the performance audit of transit operations managed by the Humboldt Transit Authority (HTA). As the Regional Transportation Planning Agency (RTPA) responsible for TDA funding in Humboldt County, these audits were performed under the authority of the Humboldt Association of Governments (HCAOG).

This audit report covers Fiscal Years (FY) 2016-17 through FY 2018-19, and was conducted by LSC Transportation Consultants, Inc. Data collection, initial review, and on-site interviews were conducted in early 2020. The audit process follows guidelines outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities* developed by Caltrans (2008).

BACKGROUND

Transit in Humboldt County is administered through a joint powers authority between Humboldt County and the Cities of Arcata, Eureka, Fortuna, Rio Dell and Trinidad. Services span from Trinidad, south along Highway 101 to Benbow and east on Highway 299 from Arcata to Willow Creek.

VERIFICATION AND USE OF PERFORMANCE INDICATORS

Tables 1 - 3 and Figures 1 – 16 in Chapter 2 present operating data and performance indicators for HTA fixed route services, DAR services and all services systemwide. During the audit period, systemwide ridership decreased by 9 percent; however overall ridership increased by 12 percent over the past six years. HTA saw a rise in operating costs in FY 2017-18 due to increased services, pension costs and insurance costs. This in turn had a negative effect on cost efficiency (as measured in operating cost per vehicle service hour) which increased from \$99.65 to \$109.40 and cost effectiveness (operating cost per passenger trip) which increased from \$7.67 to \$10.13. Although systemwide productivity declined somewhat during the audit period from 12.98 one-way passenger-trips per vehicle-hour to 10.8 passenger-trips per vehicle-hour, it remains on par with other rural public transit agencies. Systemwide HTA farebox ratio easily surpassed the 10 percent minimum for rural public transit services. Farebox ratio ranged from 26.26 percent in FY 2016-17 to 22.89 percent in FY 2018-19.

HTA compiled operating statistics in accordance with TDA definitions (as presented in Appendix B of the *Performance Audit Guidebook*) with the exception of vehicle service hours and miles. As for the overall data collection and recording process, HTA employs electronic fareboxes which allow for accurate collection of detailed operating statistics. HTA produces easy to read and informative operating data reports.

REVIEW OF COMPLIANCE REQUIREMENTS

The *Performance Audit Guidebook* recommends reviewing transit operator compliance with certain TDA regulations that relate to a performance audit. Table 4 presents HTA's compliance with these requirements. HTA public transit services were found to be in compliance on all issues except for the timely submittal of the State Controller Reports for two years of the audit period, Fiscal and Compliance

Audits for the last year of the audit period and definition of vehicle service hours and miles. It should be noted that late submittal of the Fiscal and Compliance Audits is primarily due to delay at the County Auditor.

STATUS OF PRIOR AUDIT RECOMMENDATIONS

The previous audit was completed by Michael Baker International in 2017. All recommendations were completed during this audit period.

DETAILED REVIEW OF TRANSIT OPERATOR FUNCTIONS

An important step in the performance audit process is to evaluate standard transit operator functions in terms of efficiency and effectiveness. This is done through interviews with transit staff. The review of transit operator functions is divided into the following categories:

- General Management and Organization
- Service Planning
- Administration
- Scheduling, Dispatch and Operations
- Marketing and Public Information
- Maintenance

In summary, organization and management of the transit operator appears to be appropriate for the size and scope of transit operations. HTA conducts effective service planning and regularly reviews operating statistics and TDA performance measures. Transit services comply with pertinent federal Americans with Disabilities Act (ADA) requirements. HTA has in place safety, operations, and training procedures which comply with applicable regulations. Sufficient marketing and public outreach efforts are conducted by HTA. There appears to have been no significant issues during the audit period with respect to vehicle maintenance. Vehicle replacement plans are in place to maintain a safe and operable fleet.

The Auditor's analysis of HTA services indicates that, in terms of operations, the system was efficiently run and well managed during the audit period.

FINDINGS

- Although HTA systemwide ridership declined nine percent during this audit period, ridership increased by 12 percent over the six year period between FY 2013-14 and FY 2018-19. Most public transit agencies in the US have seen declines in ridership due to a variety of factors including cheap auto loans, good economy and inexpensive gas prices.
- Productivity on the fixed routes (roughly 12 – 13 one-way passenger-trips per vehicle service hour) is above the industry standard of 10 passengers per hour. DAR productivity is also on par with other demand response services, around two passenger trips per vehicle service hour.
- Operating cost per trip for fixed route services of around \$7 to \$10 per trip is on par with other rural transit systems.

- Although there was insufficient data for DAR services in FY 2016-17 provided by the contractor, performance indicators for the audit period show that HTA taking over management of all DAR services has improved efficiency and cost effectiveness.
- All the prior audit recommendations were implemented.
- HTA has a good data and revenue collection process in place.
- During the audit period, HTA met most of the TDA requirements with the exception of:
 - Completing Fiscal and Compliance Audits on-time for the last year of the audit period
 - Operating costs increasing slightly more than 15 percent in one year
 - State Controller Reports were submit one week late in FY 2017-18 and three weeks late in FY 2018-19
- HTA transit services exceeded the required farebox ratio of 10 percent each year of the audit period. Farebox ratio ranged from 23 to 26 percent (using figures from the Fiscal and Compliance Audits).
- HTA has expanded the operations and maintenance facility to meet the needs of a regional public transit operator as well as prepare for the eventual switch to alternative fuel technology.
- As with many rural transit operators, HTA could benefit by having a dedicated planner to assist with grant writing and management, outreach/marketing and general transit planning. HTA recently requested funding for a planner through STA funds, however, because of the COVID-19 epidemic, the short-term future of STA revenues is uncertain.
- During this audit period, HTA's role as the regional public transit operator expanded. HTA became the designated CTSA and now manages all the DAR services for the region. HTA also now oversees and operates all aspects of the Eureka Transit System. In a rural county, having one public transit operator is cost efficient and a good use of minimal resources such as maintenance facility or administrative staff.

RECOMMENDATIONS

Overall, the Auditor finds the HTA system to be a good example of a well-run rural transit program which is making efficient use of public resources. The auditor has the following recommendations. (Recommendations are outlined in greater detail in Chapter 3).

Recommendation 1: *Report operating data and performance measures to the State Controller in accordance with definitions in Appendix B of the Performance Audit Guidebook.*

Recommendation 2: *For TDA eligibility and compliance purposes, calculate one farebox ratio for all of HTA services in the Fiscal and Compliance audit.*

Recommendation 3: *Annually, provide a performance report to the HTA board which sums all routes and services to get a better idea of overall systemwide trends and farebox ratio.*

Recommendation 4: *HTA should prepare a Request for Proposals (RFP) to procure separate accounting services outside the County Auditor.*

BACKGROUND

The TDA, also known as the “Mills-Alquist Deddeh Act,” provides two major sources of funding for public transportation providers in California: the Local Transportation Fund (LTF) and the State Transit Assistance (STA). The LTF is derived from 1/4 cent of the 7.25 cent state sales tax collected per dollar of retail sales in Humboldt County during the audit period and can be used for a variety of transportation purposes according to a set of priorities detailed in the Act. The State Board of Equalization returns the LTF to each county in accordance with the amount of tax collected in that county. STA funds are derived from statewide sales tax on diesel fuel. The funds are allocated to each county based on the following formula: 50 percent according to population and 50 percent according to operator revenues from the prior fiscal year. STA funds can only be used to pay for transit planning, capital projects, and operations.

The Public Utilities Commission (PUC) requires that a Triennial Performance Audit (TPA) be conducted for all transit operators and RTPAs. A performance audit is a systematic process of evaluating an organization’s effectiveness, efficiency, and economy of operations under management control. The objectives of the audit are to provide a means for evaluating an organization’s performance and to enhance the performance by making recommendations for improvements. In addition, the audit evaluates the adequacy of an organization’s systems and the degree of compliance with established policies and procedures.

PERFORMANCE AUDIT AND REPORT ORGANIZATION

The performance audit consists of the following elements:

- Initial review of transit operator functions
- Review of compliance requirements
- Follow-up review of prior performance audit recommendations
- Verification and use of performance indicators
- Detailed review of various transit operator functions
- Preparation of the Draft Audit report
- Preparation of the Final Audit report

TRANSIT PROGRAM DESCRIPTION

The Humboldt Transit Authority (HTA) is a joint powers authority between the Cities of Arcata, Eureka, Fortuna, Rio Dell and Trinidad, and the County of Humboldt. HTA is the regional public transit system in the county, providing public transit service along the US 101 Corridor as well as an extension to Willow Creek along State Route (SR) 299. HTA provides intercity, local fixed-route service and Dial –A-Ride service in the county. During this audit period, the City of Eureka contracted with HTA to provide operations, maintenance and daily management of the Eureka Transit System (ETS). In July 1, 2018, HTA took on all administration duties of ETS including the authority to submit TDA claims. Other transit operators in the region include Arcata and Mad River Transit System (A&MRTS) and Blue Lake Rancheria. HTA provides vehicle maintenance for A&MRTS who runs fixed route service in the City of

Arcata with a focus on transporting students to Humboldt State University. The Blue Lake Rancheria transit service is operated by the Rancheria and provides a connection for the general public between Blue Lake and Arcata. HTA's administrative and operations facility is located in Eureka.

HTA Fixed-Route System Characteristics

HTA is comprised of several fixed-route services operating along the US 101 and SR 299 corridors. These services include Redwood Transit System, Southern Humboldt Transit System, Willow Creek Intercity Transit and Eureka Transit Service. Tish Non-Village services were implemented in July 2015, however, the service discontinued in June 2019 and therefore not described below. The current HTA fixed routes evaluated under this TPA are described below.

- *Redwood Transit System (RTS)*: The RTS service operates between Trinidad and the Town of Scotia along US 101. Headways range from 30 minutes between Humboldt State University and College of the Redwoods, hourly between HSU and the McKinleyville Airport and every two hours to the northern and southern termini. Major destinations served include Scotia, Rio Dell, Fortuna, Fernbridge, College of the Redwoods, Fields Landing, King Salmon, Eureka, Arcata, Humboldt State University (HSU), McKinleyville, Arcata-Eureka Airport and Trinidad. Hours of operation are roughly between 6:00 AM and 10:00 PM. Monday through Friday; between 8:30 AM and 9:30 PM. on Saturdays; and between 8:30 AM and 7:00 PM on Sundays.
- *Southern Humboldt Intercity*: This service connects the southern Humboldt County communities between Eureka and the community of Benbow. Major destinations along the route include Fortuna, Rio Dell, Shively, Weott, and Garberville. There are six northbound and five southbound trips operated Monday through Friday from 6:45 AM to 9:15 PM. Services on Saturday include three westbound and eastbound trips between 8:30 AM and 8:50 PM. Additionally, Sunday service runs between July and October with two southbound trip and three northbound trips operating from 8:30 AM and 8:50 PM. Previously, there was a Southern Humboldt Local service. This was discontinued because it was not attaining the 10 percent farebox ratio and public input indicated a greater desire for resources to provide weekend service.
- *Willow Creek / Arcata Route*: HTA operates a service between Willow Creek and the Arcata Transit Center. Monday through Friday, four westbound and three eastbound trips are operated between 7:00 AM and 7:30 PM. On Saturdays, there are three westbound and eastbound trips operated between 8:25 AM and 7:45 PM. There is no service on Sundays. Each trip between Arcata and Willow Creek averages one hour in duration. Once in Arcata, passengers can transfer onto local or regional buses at the transit center.
- *Eureka Transit System (ETS)*: Through an agreement with the City of Eureka, HTA operates four fixed route services within the Pine Hill, Cutten, Myrtle town and Old Town areas of Eureka. The Red, Green, Gold, and Purple routes run Monday through Friday between 6:30 AM and 7:00 PM. Saturday service is provided by the Gold Purple, and Rainbow Routes between 10:00 AM and 5:00 PM.

Fares

HTA's fare structure varies by route. Monthly passes and discounted fares for youth, elderly and disabled are available. Passengers can purchase a Regional Pass which is valid on all HTA fixed routes as

well as on A&MRTS. The pass comes in the form of \$10 or \$20 stored value cards. The appropriate fare for the route/service is deducted from the card at the farebox. Regional Passes allow passengers to ride multiple routes and services with one fare media, as well as receive a discount on each one-way trip.

Humboldt State University (HSU) students ride the RTS and Eureka Transit System fare-free as part of the JackPass program by swiping their current student identification card. The program is funded through a transportation tuition fee. Staff and faculty can buy into the JackPass program for \$60 per semester.

Dial-a-Ride

As the designated Consolidated Transportation Services Agency (CTSA), HTA operates demand-response services for the region. Dial-a-Ride is available Monday through Friday between the hours of 6:00 AM and 7:00 PM and Saturday between 7:30 AM and 5:00 PM. Service is available to those who are registered and certified to be ADA eligible by HTA. Reservations can be scheduled seven days a week, between 8:00 AM and 5:00 PM, and up to 14 days in advance. Rides must be scheduled at least 24 hours prior to reservation time. Dial-a-Ride currently serves the communities of Eureka, Arcata, McKinleyville, Old Arcata Road, Manila Samoa, Humboldt Hill, King Salmon, Fields Landing, and College of the Redwoods.

The service is divided into four zones. Each zone requires the purchase of one \$3.00 ticket. A maximum of three tickets are required for a one-way trip, regardless of the number of zones crossed. Tickets are sold in packs of six tickets available for \$18.00. Tickets are available for purchase online via the HTA website and at the following locations: HTA, Eureka City Hall, Arcata Transit Center, the McKinleyville Senior Center and the Senior Resource Center.

HTA OPERATING AND FINANCIAL STATISTICS

Tables 1, 2, and 3 present operating statistics and performance indicators for HTA fixed route services, demand response services and all HTA services systemwide, respectively. This information is based on data taken from internal operating spreadsheets and annual Fiscal and Compliance Audits. Generally, operating data is obtained from internal reports while financial data is obtained from Fiscal and Compliance Audits.

Year to year comparisons of DAR performance statistics should be viewed with caution. HTA took over management of the demand response services in 2017. Prior to this, the cities of Arcata and Eureka, County of Humboldt and HCAOG had separate contracts with the City Ambulance of Eureka to operate demand response service. The contractor did not provide complete operating data to HTA or other jurisdictions. Therefore, comparisons to data prior to 2017 may be skewed.

TABLE 1 : Humboldt Transit Authority Fixed Route Services Performance Measures

| Performance Measures | Redwood Transit System | | Eureka Transit System | | Willow Creek | | Southern Humboldt Intercity | | Southern Humboldt Local | | Fixed Route Summary | | | | |
|--|------------------------|-------------|-----------------------|-------------|--------------|-------------|-----------------------------|-----------|-------------------------|-----------|---------------------|------------|-------------|-------------|-------------|
| | 2016-17 | 2017-18 | 2018-19 | 2016-17 | 2017-18 | 2018-19 | 2016-17 | 2017-18 | 2018-19 | 2016-17 | 2017-18 | FY 2018-19 | | | |
| One-Way Passenger-Trips | 546,561 | 501,013 | 473,824 | 214,113 | 204,462 | 203,489 | 11,908 | 12,460 | 13,316 | 12,328 | 9,262 | NA | 806,812 | 739,417 | 718,521 |
| % Change from Previous Year | -12.5% | -8.3% | -5.4% | -9.8% | -4.5% | -0.5% | -10.1% | 4.6% | 6.9% | 7.4% | -- | -- | -11.2% | -8.4% | -2.8% |
| Vehicle Service Hours | 33,741 | 33,692 | 33,254 | 14,449 | 14,353 | 14,271 | 2,823 | 2,926 | 2,896 | 1,488 | NA | NA | 58,795 | 57,240 | 58,331 |
| % Change from Previous Year | -0.1% | -0.1% | -1.3% | 1.1% | -0.7% | -0.6% | 0.0% | 3.6% | -1.0% | 0.4% | -- | -- | 0.3% | -2.6% | 2.0% |
| Vehicle Service Miles | 726,305 | 723,537 | 716,722 | 159,196 | 158,118 | 157,232 | 107,305 | 105,590 | 106,670 | 27,324 | NA | NA | 1,252,384 | 1,218,581 | 1,251,761 |
| % Change from Previous Year | -0.2% | -0.4% | -0.9% | 1.1% | -0.7% | -0.6% | 1.0% | -1.6% | 1.0% | 0.4% | -- | -- | 0.3% | -2.7% | 2.7% |
| Operating Costs | \$2,908,701 | \$3,728,749 | \$3,305,237 | \$1,056,429 | \$1,093,020 | \$1,340,740 | \$263,126 | \$250,798 | \$282,503 | \$153,040 | \$191,804 | NA | \$4,940,637 | \$5,896,068 | \$5,756,254 |
| % Change from Previous Year | 7.8% | 28.2% | -11.4% | 18.2% | 3.5% | 22.7% | -5.9% | -4.7% | 12.6% | 35.8% | -- | -- | 11.6% | 19.3% | -2.4% |
| # Employees | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 55.2 | 52.4 |
| % Change from Previous Year | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 4.1% | -5.0% | 1.8% |
| Fare Revenue | \$899,148 | \$789,949 | \$884,374 | \$275,965 | \$233,997 | \$242,761 | \$35,822 | \$36,644 | \$47,100 | \$14,863 | \$12,359 | -- | \$1,291,873 | \$1,135,656 | \$1,291,155 |
| % Change from Previous Year | -- | -12.1% | 12.0% | -- | -15.2% | 3.7% | -- | 2.3% | 28.5% | \$80,938 | \$75,066 | \$116,920 | \$14,863 | \$12,359 | -- |
| Fare Revenues + Local Funds | \$1,165,618 | \$1,023,587 | \$1,121,065 | \$275,965 | \$576,000 | \$250,066 | \$38,451 | \$39,086 | \$49,494 | \$80,938 | \$75,066 | \$116,920 | \$14,863 | \$12,359 | NA |
| % Change from Previous Year | -5.5% | -12.2% | 9.5% | -5.0% | 108.7% | -56.6% | -8.5% | 1.7% | 26.6% | 3.1% | -7.3% | 55.8% | 6.3% | -- | -- |
| Operating Cost per One-Way Passenger-Trip | \$5.32 | \$7.44 | \$6.98 | \$4.93 | \$5.35 | \$6.59 | \$22.10 | \$20.13 | \$21.22 | \$25.54 | \$29.41 | \$29.68 | \$12.41 | -- | -- |
| % Change from Previous Year | 23.1% | 39.8% | -6.3% | 31.0% | 8.3% | 23.3% | 4.7% | -8.9% | 5.4% | 24.8% | 15.1% | 0.9% | 26.5% | -- | -- |
| Operating Cost per Vehicle Service Hour | \$86.21 | \$110.67 | \$99.39 | \$73.11 | \$76.15 | \$93.95 | \$93.21 | \$85.71 | \$97.55 | \$88.87 | \$100.77 | \$103.86 | \$102.85 | -- | -- |
| % Change from Previous Year | 7.9% | 28.4% | -10.2% | 16.9% | 4.2% | 23.4% | -5.9% | -8.0% | 13.8% | 25.3% | 13.4% | 3.1% | 35.2% | -- | -- |
| Passengers per Vehicle Service Hour | 16.20 | 14.87 | 14.25 | 14.82 | 14.25 | 14.26 | 4.22 | 4.26 | 4.60 | 3.48 | 3.43 | 3.50 | 8.28 | -- | -- |
| % Change from Previous Year | -12.3% | -8.2% | -4.2% | -10.8% | -3.9% | 0.1% | -10.1% | 1.0% | 8.0% | 0.4% | -1.5% | 2.1% | 6.9% | -- | -- |
| Passengers per Vehicle Service Mile | 0.75 | 0.69 | 0.66 | 1.34 | 1.29 | 1.29 | 0.11 | 0.12 | 0.12 | 0.09 | 0.09 | 0.10 | 0.45 | -- | -- |
| % Change from Previous Year | -12.3% | -8.0% | -4.5% | -10.8% | -3.9% | 0.1% | -11.0% | 6.3% | 5.8% | 0.4% | -1.5% | 10.8% | 7.0% | -- | -- |
| Vehicle Service Hours per Employee | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| % Change from Previous Year | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Farebox Recovery Ratio | 40.07% | 27.45% | 33.92% | 26.12% | 52.70% | 18.65% | 14.61% | 15.58% | 17.52% | 14.47% | 11.88% | 14.12% | 9.71% | 6.44% | 29.28% |
| % Change from Previous Year | -12.3% | -31.5% | 23.6% | -19.6% | 101.7% | -64.6% | -2.8% | 6.6% | 12.4% | -18.7% | -17.9% | 18.9% | -21.7% | -33.7% | -8.2% |

Source: HTA Internal Farebox Reports, FY's 2016-17, 2017-18, and 2018-19 and Fiscal Audits 2016-2019

TABLE 2 : Humboldt Transit Authority Dial-A-Ride Services Performance Measures

| Performance Measures | Current Audit Period | | |
|--|----------------------|-------------|-------------|
| | FY 2016-17 (1) | FY 2017-18 | FY 2018-19 |
| One-Way Passenger-Trips | 7,429 | 25,122 | 23,732 |
| <i>% Change from Previous Year(2)</i> | 76.3% | 238.2% | -5.5% |
| Vehicle Service Hours | 3,914 | 11,068 | 10,346 |
| <i>% Change from Previous Year(2)</i> | 8.9% | 182.8% | -6.5% |
| Vehicle Service Miles | 50,895 | 134,750 | 133,726 |
| <i>% Change from Previous Year(2)</i> | 33.9% | 164.8% | -0.8% |
| Operating Costs | \$692,965 | \$1,563,318 | \$1,094,381 |
| <i>% Change from Previous Year(2)</i> | -- | 125.6% | -30.0% |
| # Employees | 17.00 | 17.00 | 17.00 |
| <i>% Change from Previous Year(2)</i> | -- | 0.0% | 0.0% |
| Farebox Revenues | \$65,397 | \$71,619 | \$85,734 |
| <i>% Change from Previous Year(2)</i> | 50.5% | 9.5% | 19.7% |
| Operating Cost per One-Way Passenger-Trip | \$93.28 | \$62.23 | \$46.11 |
| <i>% Change from Previous Year(2)</i> | 75.5% | -33.3% | -25.9% |
| Operating Cost per Vehicle Service Hour | \$177.05 | \$141.25 | \$105.78 |
| <i>% Change from Previous Year(2)</i> | 184.0% | -20.2% | -25.1% |
| Passengers per Vehicle Service Hour | 1.90 | 2.27 | 2.29 |
| <i>% Change from Previous Year(2)</i> | 61.9% | 19.6% | 1.1% |
| Passengers per Vehicle Service Mile | 0.15 | 0.19 | 0.18 |
| <i>% Change from Previous Year(2)</i> | 31.7% | 27.7% | -4.8% |
| Vehicle Service Hours per Employee | 230.2 | 651.1 | 608.6 |
| <i>% Change from Previous Year(2)</i> | -- | 182.8% | -6.5% |
| Farebox Recovery Ratio | 9.44% | 4.58% | 7.83% |
| <i>% Change from Previous Year(2)</i> | -51.3% | -51.5% | 71.0% |

Source: HTA Internal Farebox Reports, FY's 2016-17, 2017-18, and 2018-19 and Fiscal Audits 2016-2019

Note 1: Incomplete data from contractor. HTA did not begin managing contract until 2017

Note 2: FY 2016-17 and 2017-18 values based on incomplete data.

TABLE 3 : Humboldt Transit Authority Services Systemwide Operating Data Summary

| Performance Measures | Previous Audit Period | | | Current Audit Period | | |
|--|-----------------------|-------------|-------------|----------------------|-------------|-------------|
| | FY 2013-14 | FY 2014-15 | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 |
| One-Way Passenger-Trips | 664,015 | 669,660 | 669,878 | 814,241 | 764,539 | 742,253 |
| <i>% Change from Previous Year</i> | 2.2% | 0.9% | 0.0% | 21.6% | -6.1% | -2.9% |
| Vehicle Service Hours | 47,945 | 48,537 | 51,001 | 62,709 | 68,308 | 68,737 |
| <i>% Change from Previous Year</i> | 2.8% | 1.2% | 5.1% | 23.0% | 8.9% | 0.6% |
| Vehicle Service Miles | 1,092,076 | 1,096,402 | 1,167,629 | 1,303,279 | 1,353,331 | 1,385,487 |
| <i>% Change from Previous Year</i> | 20.7% | 0.4% | 6.5% | 11.6% | 3.8% | 2.4% |
| Operating Costs⁽¹⁾ | \$3,962,773 | \$4,340,828 | \$5,723,670 | \$6,249,224 | \$7,262,185 | \$7,520,023 |
| <i>% Change from Previous Year</i> | 1.0% | 9.5% | 31.9% | 9.2% | 16.2% | 3.6% |
| # Employees in FTEs | 44.00 | 44.00 | 43.00 | 70.0 | 73.0 | 73.0 |
| <i>% Change from Previous Year</i> | 4.8% | 0.0% | -2.3% | -- | 4.3% | 0.0% |
| Fare Revenues | <i>Note 2</i> | | | \$1,357,270 | \$1,207,275 | \$1,376,889 |
| | -- | -- | -- | -- | -11.1% | 14.0% |
| Farebox Revenues + Local Funds | \$1,320,556 | \$1,353,221 | \$1,406,884 | \$1,641,232 | \$1,797,717 | \$1,623,279 |
| <i>% Change from Previous Year</i> | 6.8% | 2.5% | 4.0% | 16.7% | 9.5% | -9.7% |
| Operating Cost per One-Way Passenger-Trip | \$5.97 | \$6.48 | \$8.54 | \$7.67 | \$9.50 | \$10.13 |
| <i>% Change from Previous Year</i> | -1.2% | 8.6% | 31.8% | -10.2% | 23.8% | 6.7% |
| Operating Cost per Vehicle Service Hour | \$82.65 | \$89.43 | \$112.23 | \$99.65 | \$106.32 | \$109.40 |
| <i>% Change from Previous Year</i> | -1.7% | 8.2% | 25.5% | -11.2% | 6.7% | 2.9% |
| Passengers per Vehicle Service Hour | 13.85 | 13.80 | 13.13 | 12.98 | 11.19 | 10.80 |
| <i>% Change from Previous Year</i> | -0.5% | -0.4% | -4.8% | -1.1% | -13.8% | -3.5% |
| Passengers per Vehicle Service Mile | 0.61 | 0.61 | 0.57 | 0.62 | 0.56 | 0.54 |
| <i>% Change from Previous Year</i> | -15.3% | 0.5% | -6.1% | 8.9% | -9.6% | -5.2% |
| Vehicle Service Hours per FTE | 1,089.7 | 1,103.1 | 1,186.1 | 895.8 | 935.7 | 941.6 |
| <i>% Change from Previous Year</i> | -- | 1.2% | 7.5% | -- | 4.5% | 0.6% |
| Farebox Recovery Ratio | 33.32% | 31.17% | 24.58% | 26.26% | 24.75% | 22.89% |
| <i>% Change from Previous Year</i> | 5.8% | -6.5% | -21.2% | 6.8% | -5.7% | -7.5% |

Note 1: FY 2015-16 through FY 2018-19 from Fiscal Audits. FY 2013-14 and FY 2014-15 from prior performance audit.

Note 2: Previous audit report did not distinguish fare revenues from fare revenues plus local fund totals.

Source: FY 2013-2016 TPA and HTA Summary Reports, FY's 2016-17, 2017-18, 2018-19. Incomplete DAR data for FY 2016-17.

Data Collection Methods

As part of the TPA process, the auditor must collect and verify the following transit operator statistics:

- Operating Cost
- Passenger Count
- Vehicle Service Hours
- Vehicle Service Miles
- Employee Hours in Full-Time Equivalents (FTE)
- Fare Revenue

Operating Cost data (Tables 1, 2, and 3) for HTA transit services was obtained from the annual Fiscal and Compliance Audits and include total operating expenses for each object class, minus depreciation costs. Operating costs systemwide have increased by 20 percent over the audit period with the majority of that increase occurring in FY 2017-18. There are several reasons for the increase in operating costs for HTA services:

- Transit service increased during this audit period. HTA was awarded a Low Carbon Transit Operations Program (LCTOP) grant to increase service by one hour on Saturday evenings.
- Beginning in 2016, HTA was designated the CTSA for Humboldt County and took over management of all the DAR services in the county.
- In recent years, there has been greater concern about the fact the California Public Employees' Retirement System (CalPERS) is not "fully funded" and has not been since the recession in 2008. "Fully funded" means when a pension plan has sufficient assets to provide for all benefits which it must pay out to retirees. HTA provides pension benefits to employees through CalPERS. Governmental Accounting Standards Board (GASB) Standards 68 and 75 now require employers, such as the HTA, to recognize their share of the state's unfunded pension and Other Post Employee Benefits (OPEB) liabilities on the employer's balance sheet instead of in the footnotes. According to the Fiscal and Compliance audit. In FY 2017-18 HTA recognized a pension expense of \$376,458.
- Insurance costs have increased, not due to an increase in HTA accidents but rather due to higher overall insurance costs. As noted in the recommendations, TDA allows for the exclusion of operating costs beyond the change in the Consumer Price Index for insurance premiums and other select categories.

Passenger Count – Passenger counts represent one-way passenger trips. Total systemwide HTA ridership in FY 2018-19 was 742,253. As shown in Table 3, systemwide ridership has declined by 9 percent since FY 2016-17, however over the past six years systemwide ridership is up 12 percent. By type of service, the fixed route combined services also declined 11 percent between FY 2016-17 and FY 2018-19 (Table 1). However, the Willow Creek and Southern Humboldt services saw increases in ridership during this audit period. As shown in Table 2, DAR ridership was 23,732 in FY 2018-19. FY 2016-17 ridership data provided to the Auditor is likely incorrect.

Vehicle Service Hour data (Tables 1, 2, and 3) was obtained from internal reports. For fixed routes, total vehicle hours and miles (including deadhead) is recorded and reported to the board and the state controller. Non-revenue hours and miles are separated in internal reports only for DAR services. To be consistent, total hours and miles are shown in Tables 1 – 3. Systemwide vehicle service hours have increased by 10 percent between FY 2016-17 and 2018-19, from 62,709 to 68,737. Discounting the jump in DAR vehicle service hours from FY 2016-17 to FY 2017-18 (due to incorrect data reporting), vehicle service hours remained relatively flat during this audit period.

Service levels increased significantly between the end of the previous audit period and the beginning of the current audit period (23 percent from FY 2015-16 to FY 2016-17). HTA made several service changes which contributed to the increase:

- Elimination of the Southern Humboldt Local service
- Increased late night service on Saturdays only
- Added weekend service for the Southern Humboldt Intercity route
- Began service to Tish Non Village but discontinued by the end of the audit period

Vehicle Service Mile data (Table 1, 2, and 3) was obtained from internal reports. As with vehicle service hours, vehicle service miles represent total miles including deadhead. Table 3 shows that systemwide service miles have increased by 6 percent between FY 2016-17 and FY 2018-19 (this audit period). Similar to vehicle service hours, this represents an increase from the prior audit period due to the service changes listed above.

The **Employee Hours in Full-Time Equivalent** data (Table 1) was obtained from State Controller Reports. The Full-Time Equivalent (FTE) definition currently used by HTA is consistent with the definition presented in Appendix B of the *Performance Audit Guidebook*. Number of employees have decreased slightly during the audit period (3 percent). State Controller reports for the prior audit period indicate 44 to 43 FTEs. It is likely that these figures did not include staff hours associated with DAR, hence the large jump to 73 for this audit period.

Fare Revenue data (Table 1, 2, and 3) was obtained from annual Fiscal and Compliance Audit reports. It should be noted that PUC Section 99205.7 states that fare revenues are defined as revenue object classes 401, 402, and 403, as specified in Section 630.12 of Title 49 of the *Code of Federal Regulations*:

- Object class 401 revenues include full adult, senior, student, child, handicapped, Park-and-Ride lot revenues (must be operated by transit operator), special and reduced fares collected from passengers.
- Object class 402 revenues include guaranteed revenues collected from an organization rather than a rider for rides given along special routes.
- Object class 403 revenues include revenues collected from schools for providing service to children to and from school.

Fare revenue also includes the amount of revenue received by an entity under contract for transit services not yet transferred to the claimant. Additionally, the definition of fare revenues includes fares collected (1) for a specified group of employees, members, or clients, or (2) to guarantee a minimum

revenue on a line operated especially for the benefit of the paying entity (e.g. an employer, shopping center, university, etc.), or (3) cash donations made by individual passengers in lieu of a prescribed fare.

It is important to note that fare revenue differs from “local support”. Local support, also referred to as local funds, is defined by TDA as: any nonfederal or nonstate grants or other revenues generated by, or distributed to, the operator. Local funds can be used to supplement fare revenues for farebox ratio calculation purposes if fare revenues alone are not sufficient.

A review of internal operating reports and discussions with staff indicate that HTA calculates and reports fare revenue correctly to the State Controller. As HTA does not operate charter services, charter revenue is not included in fare revenue. Fare revenue identified in Fiscal and Compliance Audits differs from internal reports. It is the responsibility of the Fiscal Auditor to calculate farebox ratio. As allowed per TDA, the Fiscal Audits includes local funds in farebox ratio calculations for each transit service. Tables 1 and 3 show both fare revenues and fare revenue plus local support (figures used to calculate farebox ratio calculation) for informational purposes.

Systemwide fare revenue for this audit period was around \$1.3 million. Fixed route farebox revenue stayed relatively steady while DAR farebox revenue had a significant increase 31 percent.

For the overall data collection and recording process, HTA employs GFI electronic fareboxes. With these fareboxes, HTA has the ability to accurately record each boarding by type (pass, senior, etc.). At the end of the day, the fareboxes are “probed” and boarding data is electronically transferred into a main database. HTA staff transfer operating data into Excel spreadsheets which track performance indicators by type of service.

In general, operating data obtained from internal spreadsheets was similar to that reported to the State Controller (within 5 percent difference). The exception was FY 2016-17 where data varied as much as 25 percent. Part of this could be due to incorrect reporting by the contractor for DAR services, prior to HTA becoming the CTSA.

Calculation and Evaluation of Performance Indicators

Performance indicators are frequently used to quantify and review the efficiency and effectiveness of a transit operator’s activities. Such indicators can provide insight on current operations as well as on the operator’s performance over a period of time. Using the data described above, the following performance indicators were calculated as required in Section 99246(d) of the Public Utilities Code:

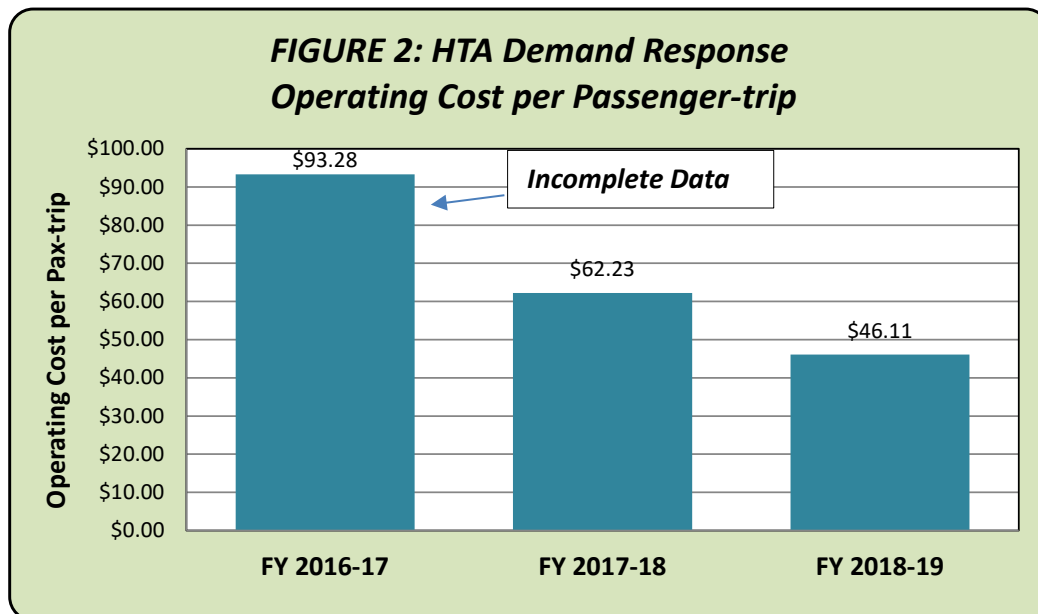
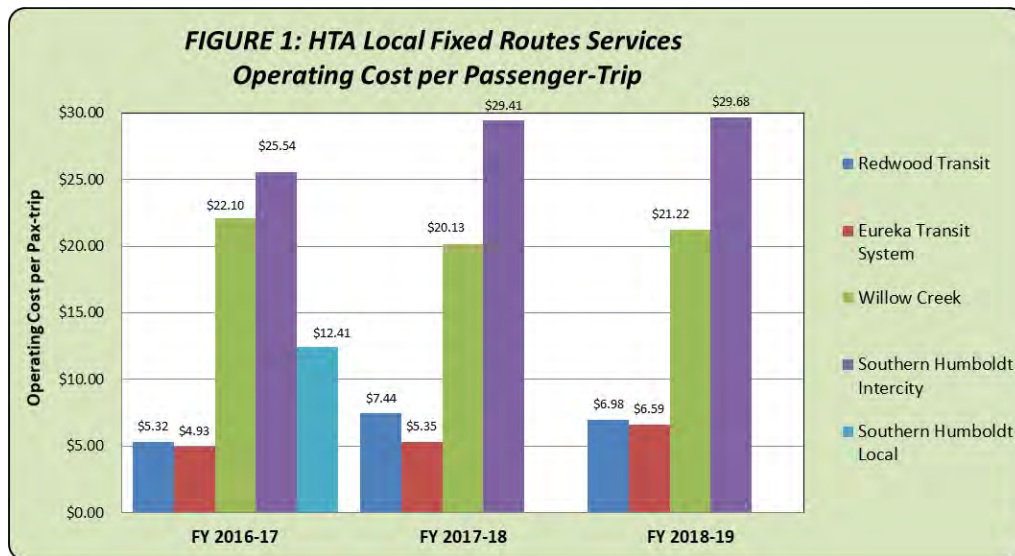
- Operating Cost per Passenger
- Operating Cost per Vehicle Revenue Hour
- Passengers per Vehicle Service Hour
- Passengers per Vehicle Service Mile
- Vehicle Revenue Hours per Employee

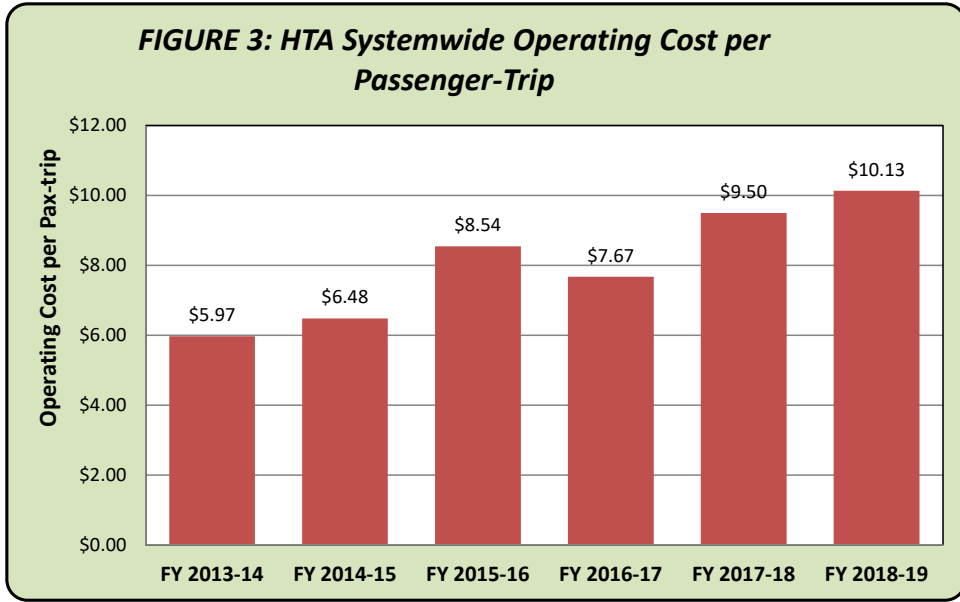
In addition, the Farebox Recovery Ratio is calculated and evaluated herein, as required in Section 99268 et seq. of the Public Utilities Code.

Operating Cost per (One-way) Passenger Trip data is presented in the Tables 1, 2 and 3 and Figures 1, 2, and 3. This performance measure is a key indicator of a transit system’s cost effectiveness. As a result of

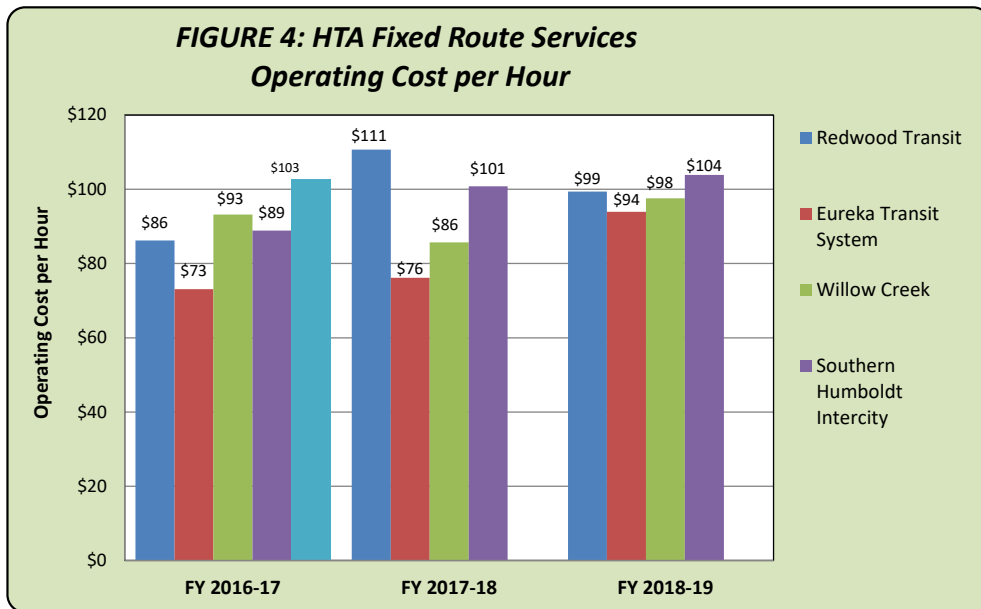
increasing operating costs and declining ridership, operating cost per trip for all HTA services increased from \$7.67 in FY 2016-17 to \$10.13 in FY 2018-19 (Table 3). Figure 3 demonstrates how the most significant increase in operating cost per trip occurred in FY 2017-18.

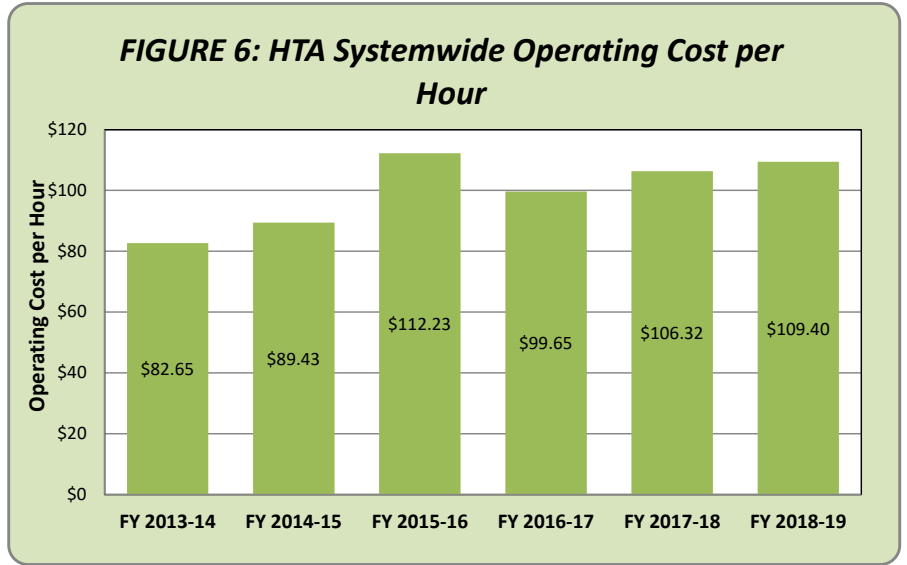
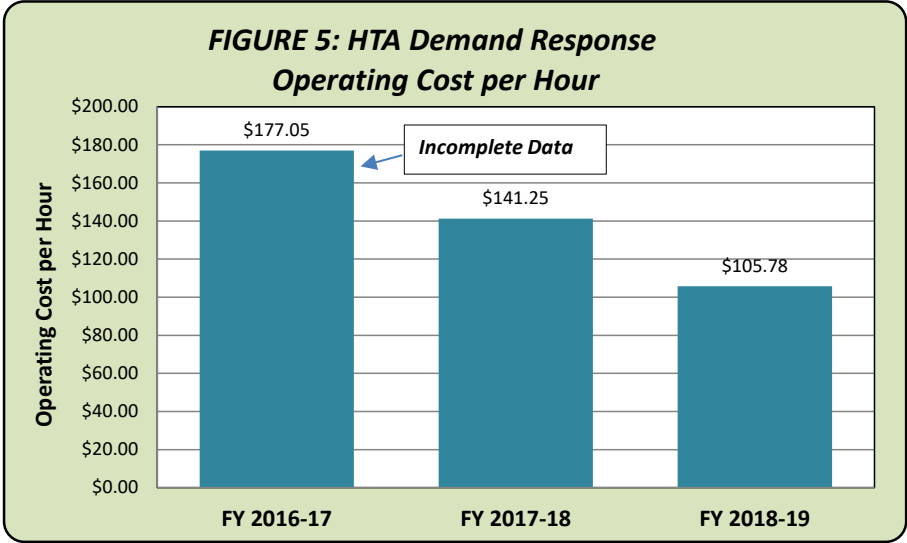
A review of Table 1 shows that local fixed routes operating cost per trip was \$6.12 in FY 2016-17. This cost per passenger trip has increased to \$8.01 (40 percent) in FY 2018-19. Meanwhile DAR operating cost per passenger trip has improved its efficiency significantly, dropping from \$93.28 per passenger in FY 2016-17 to \$44.11 per passenger in FY 2018-19. Even considering that FY 2016-17 data is suspect due to contractor poor reporting prior to HTA taking over the services, Figure 2 demonstrates that HTA has improved DAR cost efficiency.





Operating Cost per Vehicle Service Hour data is presented in Tables 1, 2, 3 and 4 and Figures 4, 5, and 6. This performance measure is a key indicator of a transit system’s cost efficiency. Systemwide operating cost per hour increased by 9.8 percent over the audit period from \$99.65 to \$109.40; however operating costs per hour decreased by 11 percent in FY 2016-17 from the prior audit period (Table 3 and Figure 6). For fixed route services (Table 1), operating cost per hour increased over the audit period (26 percent). According to the available data, cost efficiency increased significantly for DAR services as well (42 percent).





Passengers per Vehicle Service Hour (commonly referred to as “productivity”) is presented in Tables 1, 2, and 3 and Figures 7, 8, and 9. As presented, systemwide productivity decreased during the audit period from 12.98 passengers per hour to 10.80 passengers per hour. Overall, productivity has fallen about 22 percent since the six year high of 13.85 in FY 2013-14, despite an upward ridership trend over the same time period. Fixed route and DAR services both showed decreases in productivity during the three year audit period (10 percent and 20 percent respectively). This is the result of the downward trend in ridership between FY 2016-17 and FY 2018-19. Local fixed route productivity hovered around 12 – 13 passengers per hour which is slightly above the industry wide standard (9 – 10 passengers per hour) for this type of service. By route, Redwood Transit System and Eureka Transit System are the most productive, carrying around 14 one-way passenger-trips per hour. However, this is slightly below the Transit Development Plan (TDP) recommended minimum standard of 15 trips per hour. The remaining HTA services operate right around the TDP recommended productivity standard for the respective service.

FIGURE 7 : HTA Fixed Route Services Passengers per Hour

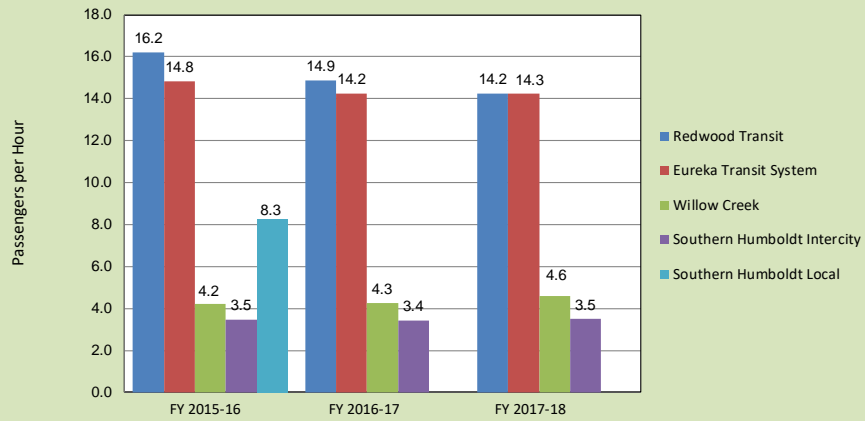


FIGURE 8 : HTA Demand Response Passengers per Hour

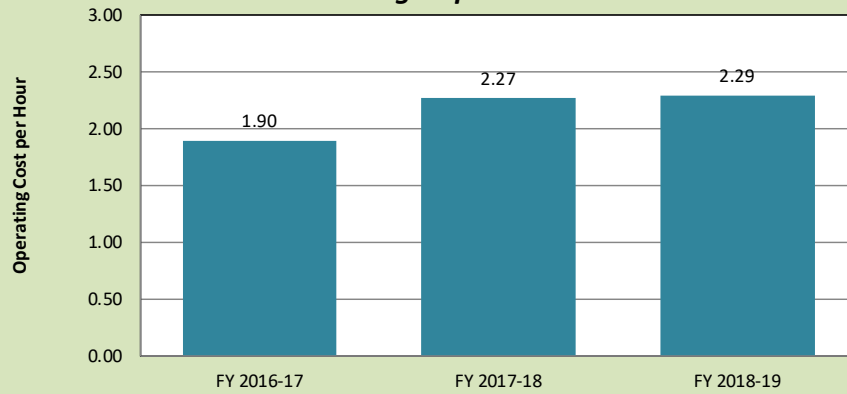
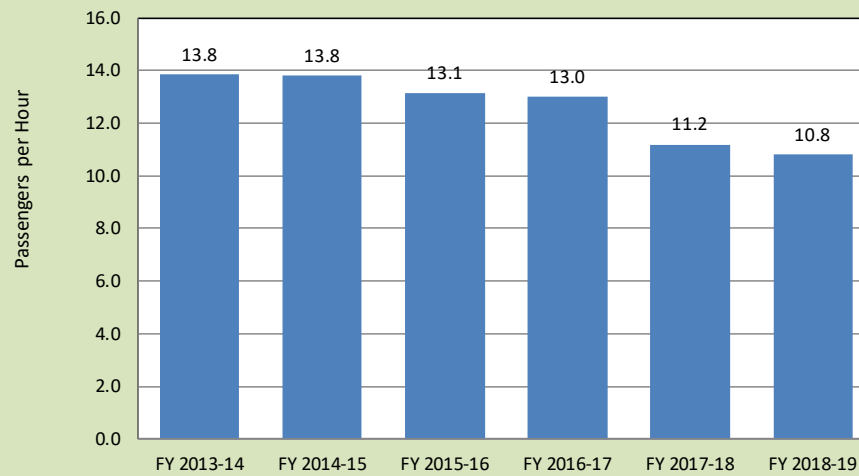
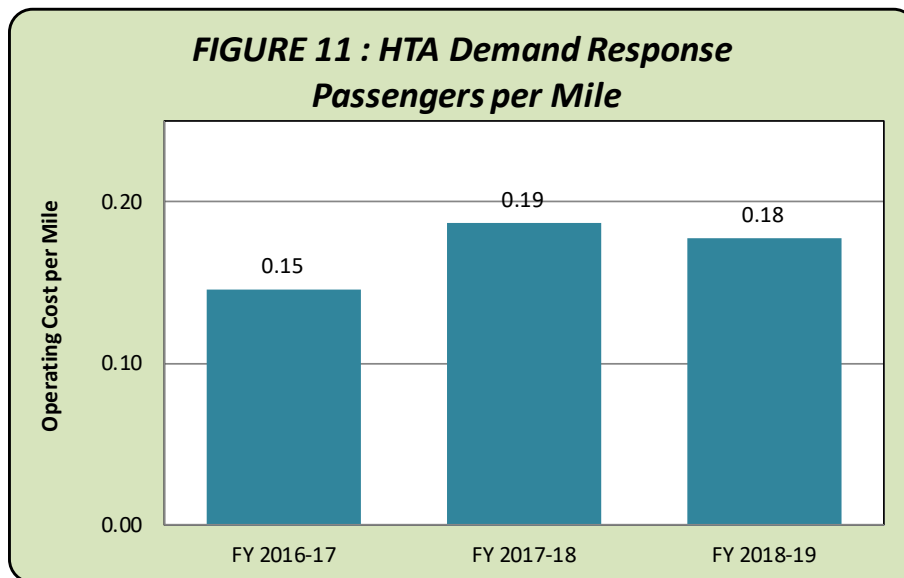
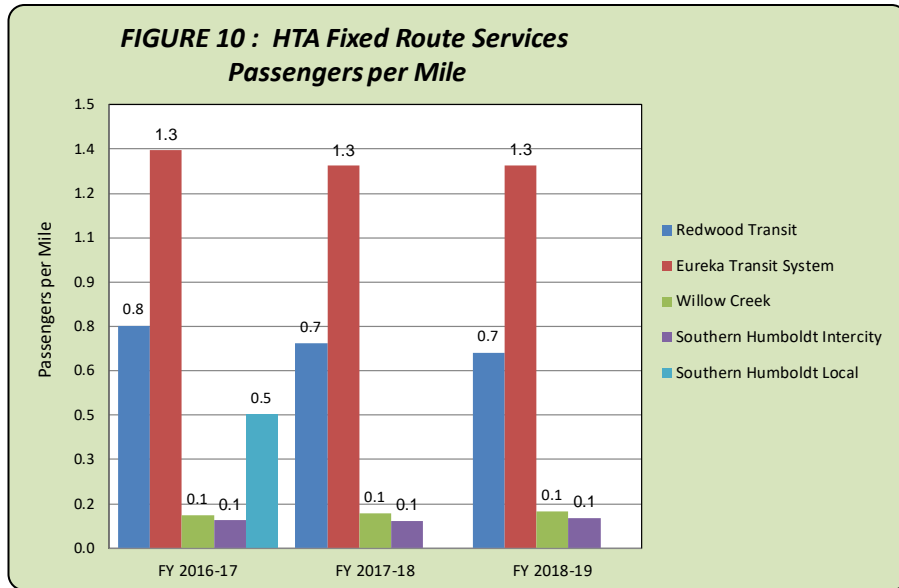


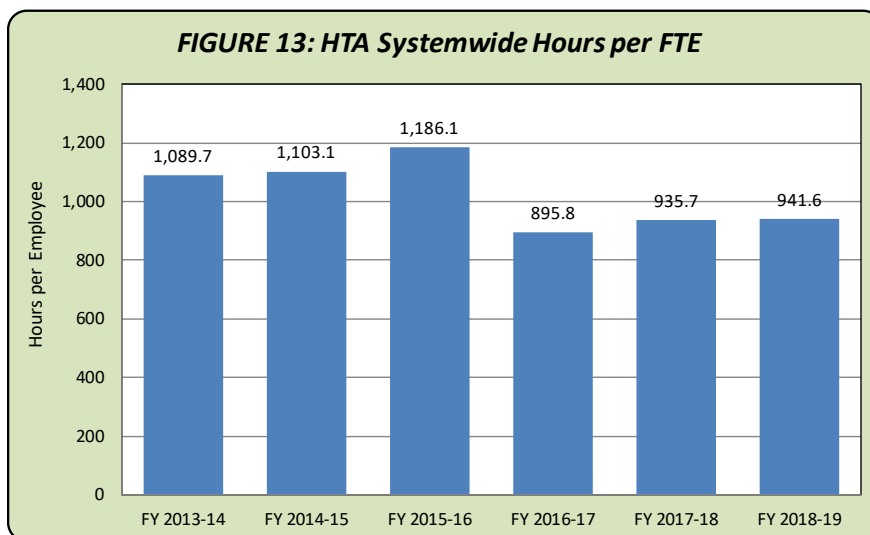
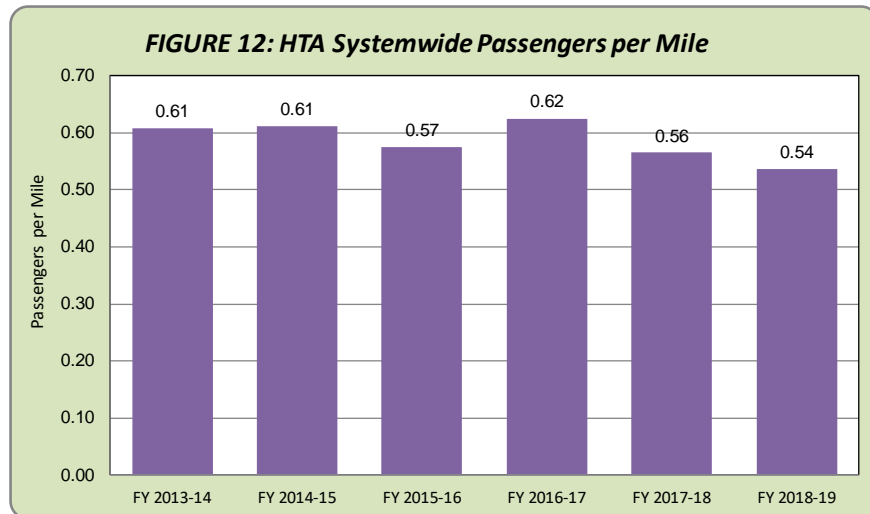
FIGURE 9: HTA Systemwide Passengers per Hour



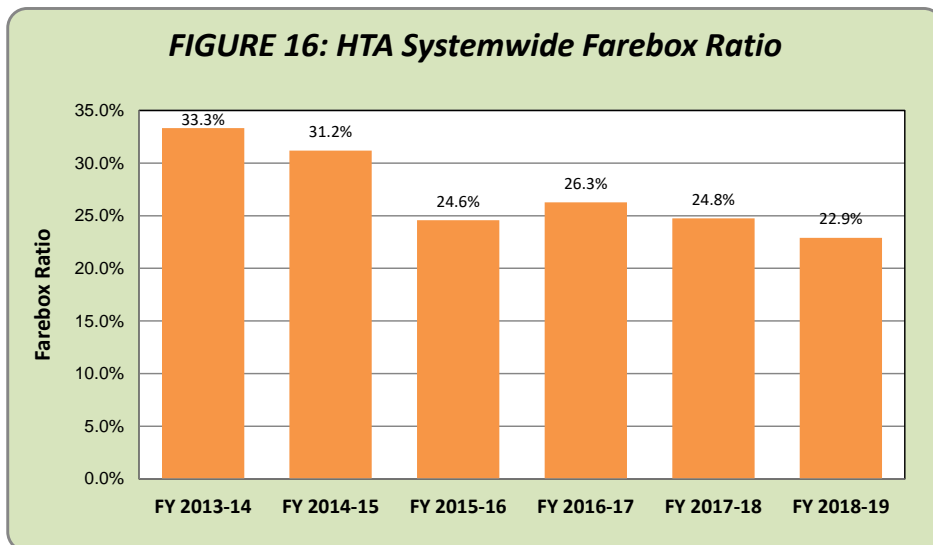
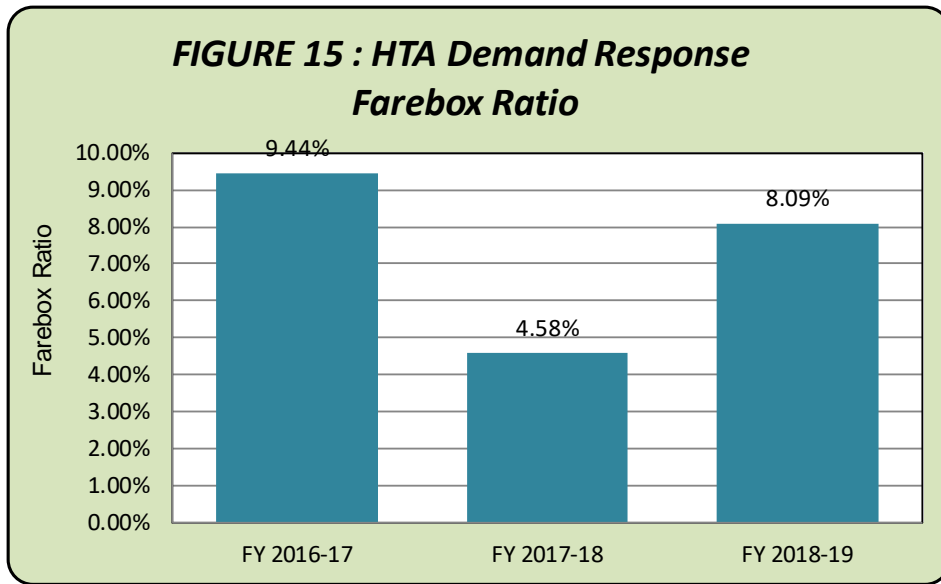
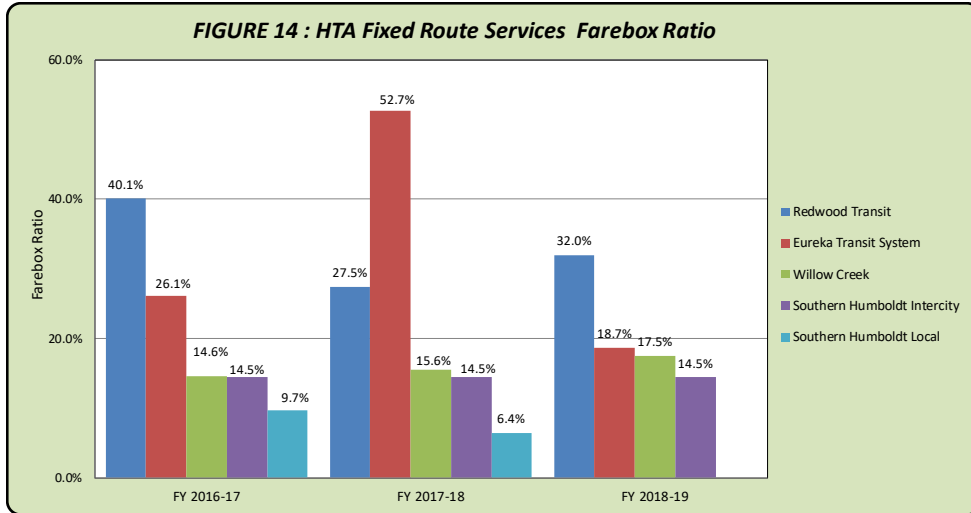
Passengers per Vehicle Service Mile data is presented in Tables 1, 2, and 3 and Figures 10, 11, and 12. As presented, passengers per vehicle service mile decreased during the audit period from 0.62 to 0.54, following a similar pattern to passengers per hour.



Vehicle Service Hours per Full-Time Equivalent (FTE) Employee data is presented in Tables 3 and Figure 13. As presented, the number of vehicle service hours per FTE equivalent systemwide increased by 13 percent, from 1,136 to 1,287 during the audit period. This performance measure is also impacted by the poor reporting of DAR data in FY 2016-17.



The **Farebox Recovery Ratio** data is presented in Tables 1 - 3 and Figure 14, 15, and 16. As shown in Table 3, systemwide farebox recovery ratio (when local funds are included) has remained well above the 10 percent requirement for a rural public transit system. As shown in Table 1, farebox ratio for fixed route services ranged from 31.9 percent to 26.7 percent. DAR farebox ratio ranged from 4.58 percent to 9.44 percent (Table 2). Although it is important to review farebox ratio and other performance indicators on a per route level, it is not necessary for DAR services to meet the 10 percent farebox ratio for TDA eligibility purposes.



Assessment of Internal Controls

To ensure that the information gathered as part of this audit is reliable and valid, a review of internal controls is necessary. A transit operator's internal controls are intended to do the following:

- Provide reasonable assurance that program goals and objectives are met
- Ensure that resources are adequately safeguarded and efficiently used
- Ensure that reliable data are obtained, maintained, and fairly disclosed in reports
- Ensure that the transit operator complies with laws and regulations

HTA appears to have a reasonably well-developed system of internal controls appropriate to the size of the transit system. This statement is echoed in each of the three annual Fiscal Auditor's Reports.

REVIEW OF COMPLIANCE REQUIREMENTS

As an entity receiving TDA funds for transit purposes, HTA is required to comply with laws and statutes set forth in the Act. Below is a discussion of HTA's compliance with sections of the Public Utilities Code which relate to transit performance, as recommended in the *Performance Audit Guidebook*. Table 4 displays the results of the compliance analysis:

1. In accordance with Public Utilities Code Section 99243, HTA has submitted annual reports to the State Controller based on the Uniform System of Accounts and Records established by the State Controller. In Fiscal Year 2016-17 this report was submitted within the required time period. In FY 2017-18, the report was submitted a week after the deadline and the FY 2018-19 was submitted three weeks after the deadline.
2. Per the requirements set forth in PUC Section 99245, HTA submitted annual Fiscal and Compliance audits to the HCAOG and to the State Controller. However, the FY 2018-19 audit was completed after the deadline even when a 90 day extension was requested by HCAOG. Having the County Auditor provide accounting services for HTA creates a challenge with HTA being able to submit the Fiscal and Compliance Audit on time. Rural county auditors are typically short staffed and have a wide variety of funding and accounting issues to deal with for all county departments. Public transit is not always at the top of that list. Before the Fiscal and Compliance Auditor can prepare the audit, they must have data from the County Auditor. This is typically where the delay occurs. For this reason, it is recommended in this report for HTA to conduct an RFP to procure separate accounting services outside the County Auditor.
3. In accordance with PUC Section 99251, HTA has submitted evidence that the California Highway Patrol has certified compliance with Vehicle Code Section 1808.1 within the 13 months prior to each TDA claim submitted.
4. In accordance with PUC Section 99261, HTA's claims for TDA funds were submitted in compliance with rules and regulations adopted by the HCAOG for such claims.

TABLE 4: Transit Operator Compliance Requirements - Humboldt Transit Authority

| Requirement | PUC Reference | In Compliance? | | Comments |
|--|--|----------------|----|---|
| | | Yes | No | |
| (1) The transit operator submitted annual reports to the RTPA based upon the Uniform System of Accounts and Records established by the State Controller within the specified time period. | 99243 | | X | FY 2016-17 on 1/18/18 FY 2017-18 on 02/06/2019 FY 2018-19 on 02/18/20 |
| (2) The operator has submitted annual fiscal and compliance audits to its RTPA and to the State Controller within 180 days following the end of the fiscal year, or has received the 90-day extension allowed by law. | 99245 | | X | FY 2016-17 on 12/18/2017 FY 2017-18 on 2/8/2019 FY 2018-19 on 4/15/2020 |
| (3) The CHP has, within the 13 months prior to each TDA claim submitted by an operator certified the operator's compliance with Vehicle Code Section 1808.1 following CHP inspection of the operator's terminal. | 99251 b | X | | |
| (4) The operator's claim for TDA funds is submitted in compliance with rules and regulations adopted by the RTPE for such claims. | 99261 | X | | |
| (5) If an 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. | 99270.1 | NA | | |
| (6) The operator's operating budget has not increased by more than 15 percent 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. | 99266 | | X | Operating costs increased by 16.2 percent in FY 2017-18 |
| (7) The operator's definitions of performance measures are consistent with Public Utilities Code Section 99247. | 99247 | | X | Exception: Vehicle service hours and miles |
| (8) If the operator serves an urbanized area, it has maintained a ratio of fare revenue to operating cost at least equal to one-fifth (20 percent), unless it is in a county with a population of less than 500,000, in which case it must maintain a ratio of at least three-twentieths (15 percent). | 99268.2, 99268.3, and 99268.1 | NA | | |
| (9) If the operator serves a rural area, it has maintained a ratio of fare revenues to operating costs at least equal to one-tenth (10 percent). | 99268.2, 99268.4, and 99268.5 | X | | |
| (10) The current cost of 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. | 99271 | X | | |
| (11) If the operator receives state transit assistance funds, the operator makes full use of funds if available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted. | California Code of Regulations, Section 6754 (a) (3) | X | | |

5. As HTA does not serve an urbanized area, PUC Section 99270.1 does not apply.

6. PUC Section 99266 requires that HTA's operating budgets not increase by more than 15 percent over the preceding year, and no substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities be realized unless the operator has reasonably supported and substantiated the change(s). See Table 3 for actual systemwide operating costs between FYs 2013 -14 and 2018-19. Annual operating costs for all HTA services increased by

just over 15 percent in FY 2017-18. There are several factors, which have contributed to increasing operating costs: increase in service levels due to extended service hours, the management of all regional demand response services, CalPERS pension costs and increased insurance costs. Although HTA is not in complete compliance with PUC 99266, the auditor does not feel that one year of a 16 percent increase is a cause for alarm. Costs increases in FY 2017-18 are substantiated and many other rural public transit agencies have seen much higher cost increases for the same time period.

7. HTA's definitions of performance measures must be consistent with PUC Section 99247. A review of HTA's definitions shows that not all performance measures are recorded and reported consistent with the requirements of the above code section. HTA reports total miles and total hours (including deadhead) to the HTA Board as well as the State Controller.
8. As the HTA service area includes only rural areas, HTA services are not subject to 20 percent fare revenue ratio requirement.
9. As the HTA service area includes only rural areas, HTA services are subject to a 10 percent farebox ratio requirement. HTA systemwide services met this requirement each year of the audit period. As shown in Table 3, farebox ratio ranged from 26.67 percent in FY 2016-17 to 22.89 percent in FY 2018-19.
10. In reference to PUC Section 99271, HTA offers a retirement plan to its transportation employees through the California Public Employees Retirement System (PERS). As of June 2018, reports show that the CalPERS responsibilities were only around 70 percent funded. CalPERS is taking steps to increase the funded status such as shortening the amortization period and adopting new strategic asset allocation. Additionally, as referenced above, GASB 68 and 75 now requires that employers show the pension and OPEB liabilities on their balance sheets instead of in the footnotes. This is a way of forcing employers (including cities, counties and joint powers authorities) to recognize their share of the state's unfunded liability in hopes that the employers take more interest in having these liabilities paid off.

Despite the changes to the balance sheets, actuarial valuations performed by CalPERS assume that the amortization period for the unfunded liability for CalPERS is 30 years or less. Therefore, the retirement system will be funded within 40 years, per PUC 99271.

11. In accordance with California Code of Regulations Section 6754(a)(3), HTA makes full use of funds available to it under the Urban Mass Transportation Act of 1964 (in particular, FTA Section 5311 Non-Urbanized Area Formula Program funds administered by Caltrans) before TDA claims are granted.

STATUS OF PRIOR AUDIT RECOMMENDATIONS

The previous audit was completed by Michael Baker International in May 2017. The recommendations from that effort are enumerated below.

Recommendation 1: *Ensure that the TDA fiscal audit reflects farebox recovery standard changes and include additional locally generated revenue in the farebox recovery pursuant to Senate Bill (SB) 508.*

Implementation Complete: SB 508 eliminated the requirement for older operators to maintain the same farebox ratio they had in 1978 if that was higher than the applicable rural or urban standard requirement. There is also now greater flexibility in how “local funds” are defined for purposes of supplementing farebox ratio. For example, advertising and lease revenues can be used to supplement fare revenues on the revenue side of the equation.

Per HTA TDA guidelines, farebox ratio requirements for HTA services is as follows:

- Redwood Transit System – 10 percent
- Willow Creek – 10 percent
- Southern Humboldt – 10 percent
- DAR – 10 percent

A review of the FY 2018-19 Fiscal and Compliance Audit shows that the fiscal auditor includes local funds in the farebox ratio calculation.

Recommendation 2: *Enhance performance monitoring with RouteMatch implementation.*

Implementation Complete: During the prior audit period, City Ambulance of Eureka (CAE) contracted directly with the cities of Arcata and Eureka, County of Humboldt and HCAOG for demand response service. During this period or the prior audit period, CAE did not accurately report data to the jurisdictions or HCAOG nor were performance indicators calculated. After HTA took over the management of all DAR services, HTA began using RouteMatch dispatching software. The reports produced for DAR services include a variety of performance indicators such as: operating cost per passenger, fare revenue per vehicle mile and passengers per vehicle hour. HTA also tracks complaints through separate software (Track it).

Recommendation 3: *Continue planning for HTA facility expansion.*

Implementation Complete: The prior auditor noted that HTA had nearly outgrown its facility size. There were multiple reasons to expand the current HTA facility:

- HTA recently took over the duties of the CTSA
- History of vehicle maintenance partnerships with other entities
- Future needs of alternative fuel technologies

Recently, the City of Eureka vacated the public street which ran through HTA’s operations and maintenance facility property. This provided HTA with the ability to connect the two properties and essentially expand the facility. Further, HTA plans to demolish an old vacant structure on the property. HTA is seeking consultants to provide recommendations on the most efficient parking and vehicle circulation strategies for the facilities. Final plans for the facility will take in to account alternative fuel technologies.

DETAILED REVIEW OF TRANSIT OPERATOR FUNCTIONS

This section presents a review of the various functions of HTA. In general, transit operator functions can be divided into the following areas:

- General Management and Organization
- Service Planning
- Scheduling, Dispatch, and Operations
- Personnel Management and Training
- Administration
- Marketing and Public Information
- Maintenance

General Management and Organization

Organizational Structure

The HTA was established in 1975 under a joint-powers agreement between the cities of Arcata, Eureka, Fortuna, Rio Dell and Trinidad and the County of Humboldt. HTA is headquartered in the county seat of Eureka. HTA is governed by a seven member Board of Directors, comprised of one representative each from the five incorporated cities and two representatives from the County of Humboldt. The Authority is administered by the General Manager and is supported by staff including the Operations Manager, Director of Maintenance, Finance Manager, Human Resources Manager, Administrative Assistant and ADA Specialist. Three additional personnel support the Finance Manager while the Director of Maintenance is supported by one Shop Supervisor and ten Shop Personnel. Additionally, there is one driver trainer and 31 drivers, most of which are part-time. During this audit period, HTA expanded the role of the driver trainer as the safety officer.

HTA also contracts with a private transportation company (City Ambulance of Eureka) for the provision of DAR services. Given the size of the HTA program, its internal organization structure is appropriate. The managerial authority is well defined within HTA. Lines of reporting are clearly defined and appropriate.

Administrative Oversight

The General Manager regularly receives reviews and acts on performance and financial information compiled internally on a monthly basis. Administrative staff meet twice a week while managers meet weekly. Safety meetings with the drivers occur four to five times per year. The General Manager reports operating statistics and performance indicators to the board monthly.

Recent Program Changes and Innovations

There have been several changes to the HTA transit program during the audit period.

- Service to Tish-Non Village was started in FY 2016-17 as the result of the unmet transit needs process but discontinued in June of 2019 due to low ridership.
- Local service on the Southern Humboldt Route was eliminated in exchange for increasing service on the Southern Humboldt Intercity route to include Saturdays and Sundays July through October.
- HTA now manages, administers and operates the Eureka Transit System.
- Late night service was initiated on the Redwood Transit System on Saturdays.

- A taxicab voucher program along Old Arcata Road was initiated; however, this will be discontinued at the end of the fiscal year.
- The Token Transit application was initiated to allow for on-line purchase of transit tickets on mobile devices.

As several of the new services implemented as a result of the unmet transit needs process did not meet ridership goals, HTA in coordination with HCAOG is improving its process with respect to evaluating new services by implementing new programs/services as pilot programs.

Communications with Other Government Agencies

HTA has an active and positive relationship with the applicable RTPA, HCAOG. The General Manager serves as an intergovernmental liaison with the HTA Board and other regional entities including the entities who contract with HTA for service.

Service Planning

Strategic Planning

The effectiveness of a transit system is highly dependent on the continued development of short- and long-range transit plans. The HCAOG commissioned the Humboldt County Transit Development Plan (TDP), which was completed by LSC Transportation Consultants in 2017. This document provides financially constrained and unconstrained alternative scenarios for improving mobility throughout Humboldt County and was adopted by the HCAOG in November 2017. Plan elements relevant to HTA included:

- Provide Redwood Transit System Mainline Eureka to Arcata express services.
- Eliminate Southern Humboldt Local Service and Provide Southern Humboldt Intercity Service on Weekends
- Add stop in Blue Lake on Willow Creek Service
- Eliminate Tish Non-Village Service
- Later Saturday Service along Redwood Transit Mainline
- Earlier Weekday Service on Eureka Transit System

Evaluation of Existing Fixed Routes

The operator regularly reviews ridership and fare data in order to evaluate existing fixed-route services. The most recent TDP effort analyzed regional demographics, commuter patterns, fixed route boarding and alighting, and on-time performance. Stakeholder interviews, an online community survey, and onboard passenger surveys were also conducted to gain perspective on local transportation strengths and weaknesses.

Planning For and Serving Special Transportation Needs

HTA's services meet the federal and state requirements, such as ADA policies, to serve persons with disabilities. In total, there are 75 revenue vehicles for RTS, Southern Humboldt, Tish Non-Village, DAR, Arcata and Mad River Transit and Willow Creek services. HTA vehicles are equipped with wheelchair lifts

and tie downs, which conform to the requirements of the Americans with Disabilities Act (ADA) of 1990 requirements in regard to accessibility. Bicycle racks are available on most large buses. HTA is the designated Consolidated Transportation Services Agency for Humboldt County. HTA also recently updated their ADA plan.

Public Participation

Both HTA and HCAOG meetings are open to the public and are conducted in an accessible facility per the requirements of the ADA. During the audit period, HTA did not conduct much public input beyond meetings/workshops for the SRTP update and the unmet transit needs process. Fare increases have been set at a five percent increase every three years by the HTA board. These do not tend to be controversial items on the HTA board agenda. In the past HTA has conducted surveys prior to implementing new routes/services.

Scheduling, Dispatch, and Operations

This functional area concerns the short-term scheduling of routes, drivers, and vehicles, the daily coordination and assurance that each customer is served, and the specific function of providing transportation service. HTA has a Procedures Manual which outlines all operations procedures including accident procedures, radio procedures and how to receive complaints.

Assignment of Drivers to Routes

The driver shift selection process occurs three times per year (based on seniority) and is well-defined in a Memorandum of Understanding (MOU) with the American Federation of State, County and Municipal Employees (AFSCME) Local 1684 Humboldt County Public Employees Association. The HTA drivers are appropriately certified for the types of vehicles operated for HTA.

Assignment of Passengers to Demand Responsive Routes

As CAE maintains its own dispatch center, all requests for DAR reservations are routed through the CAE. HTA staff has not heard many complaints about the reservation process with the exception of when 24 hour notice was first required.

HTA has established a no-show/ late cancellation policy which is available on the HTA website. HTA staff reported that no-shows and late cancellations are not a significant issue.

Only ADA eligible passengers are allowed to use the DAR service. The DAR application is available on the HTA website and requires healthcare verification.

Part-Time and Cover Drivers

HTA currently employs both full-time and part-time drivers as well as extra board employees to help cover shifts, such as when other drivers are sick or on vacation. Benefits and vacation policies are also outlined in the MOU.

Personnel Management and Training

Recruiting

During this audit period, there were times when finding qualified drivers was a challenge. In an effort to attract new recruits and retain existing drivers, HTA increased wages, added a longevity step, eliminated employee contribution for medical benefits and changed the wage table to have a greater percentage salary step increase each year. During the audit period, HTA had roughly a 10 percent turnover rate due to retirement, termination or staff quitting. HTA recruits new drivers through social media, Craig's List, notification on vehicles and with the Employment Development Department. The HTA training program is set up so that recruits with no experience go through the same program as those with driving experience. As such, HTA is willing to train the right candidate regardless of experience.

Motivation

HTA has not established any monetary or non-monetary incentive programs. However, with the new Safety Coordinator position, there is some discussion of implementing incentive programs. Job performance evaluations are performed annually for all employees.

Training and Safety

A full-time driver trainer provides initial and on-going training for drivers with the assistance of another driver who is a certified trainer. The training program involves over 100 hours of training. HTA has four different types of vehicles and drivers must spend at least 40 hours training on each type of vehicle. The Safety Coordinator tracks training hours and ensures that the program is completed. Safety meetings are also held quarterly to satisfy transit driver training (VTT).

Administration

Personnel policies regarding vacation, sick leave, benefits, and discipline are not identified in the MOU but the policy is clearly communicated to drivers upon hire.

Budgeting and Management Information Systems

HTA has a well-developed budget and reporting system that is appropriate to the size and scope of the transit program. If substantial excesses over the approved budget were to occur, they would require approval by the Board. HTA monthly reports reviewed by the General Manager and reported to the board include a profit and loss section for each service comparing actual expenses to budgeted expenses.

Financial and Grants Management

During the audit period, the Transit Manager had primary oversight of grants management duties. During the audit period, the operator had not lost any grants or neglected grant opportunities.

Risk Management and Insurance

Humboldt County is insured through California Transit Systems Joint Powers Insurance Authority (Cal TIP) insurance pool for public liability, injuries to employees, natural disasters and property damage up to \$40 million with a deductible of \$50,000 per occurrence. With respect to emergency response, the Safety Coordinator works with the California Office of Emergency Services. HTA buses are available for use in an emergency.

Contract Management

HTA employs a transit contractor, CAE, for the operation of DAR service. After the prior contract with CAE expired, HTA put out a Request for Proposal (RFP) for a new contract. As there were no bids, HTA defaulted to contracting with CAE. Part of the reason for the lack of response could have been that there was not accurate data regarding actual DAR service levels. With better reporting this audit period, HTA will be able to provide prospective contractors with a better picture of the level of effort and cost required to operate DAR in Humboldt County. This will hopefully attract more bids during the next RFP process.

Revenue Collection and Cash Management

On-vehicle fare collection mechanisms are appropriately secure on HTA buses. All buses use GFI electronic fareboxes. Cash boxes can only be removed when locked. After each shift, the farebox is “probed” which opens the door to the farebox and allows for removal of the cash box. The driver then securely deposits the cash into the vault at the HTA office (without having to handle it). Once a week the Transit Manager and the Finance Manager empty the vault, sort, and bag the cash. Brinks Security then comes and brings the cash to their secure location for counting, then deposits the money for HTA. HTA staff compare actual revenue stated in Brinks reports to projected revenue based on ridership figures. The differences are usually minimal. If there is a discrepancy, the money is recounted.

There is a different process for reconciling ticket and pass sales. One staff member at the front desk handwrites the sale. The transactions are entered into QuickBooks twice a week. A different staff member takes the cash from all ticket sales and deposits at the bank. A third staff member reconciles the transactions. HTA’s revenue collection and cash management process are secure and effective.

Procurement

HTA’s policies and practices ensure competitive procurement where possible. In a remote area such as Humboldt County, it is not always feasible to competitively procure items such as fuel. HTA competitively procures vehicles through the Cal Act Consortium. Purchases over \$50,000 require Board approval.

Marketing and Public Information

Public Information

Schedules and service information are available to current and potential riders through the operator’s website, and other public forums, such as the Chamber of Commerce. The website presents a regional

view of public transit. In addition to HTA operated routes, schedule information is available for Arcata & Mad River Transit and Blue Lake Transit. The website includes easy to read maps and schedules. Real-time bus arrival information is available through the transitapp.com application. Complaints and compliments are recorded using Track It software. These will be reported to the board going forward.

Marketing

HTA has explored a wide variety of marketing strategies including radio ads, TV commercials, public outreach to schools and attending community events such as the annual parade and Electric Vehicle Expo, as well as distributed promotional material such as refrigerator magnets and post cards. HTA has also held promotional events such as free transit on weekends and holidays.

Maintenance

Vehicle maintenance is conducted on-site at the HTA administrative facility located at 2nd and V Streets in Eureka. The maintenance facility includes five bus bays, one bus wash station, two pit lifts, one portable lift and one above ground lift. HTA keeps a sufficient number of spare parts so that routine maintenance does not delay regular service.

The operator maintains good working relationships between dispatch and maintenance staff through constant communication that ensures all routes have been assigned vehicles that are in good repair. HTA has a good preventative maintenance plan in place and has not had an availability issue due to vehicle maintenance issues.

Sufficiency of Facility

The HTA maintenance facility is capable of completing most normal service items to the vehicles, except for warranty work, body damage and some windshields. HTA recently expanded the facility. The improved facility is large enough to accommodate HTA buses as well as future alternative fueling infrastructure. HTA is working on developing a circulation plan for the facility so as to optimize space. HTA has a good security camera system which allows the General Manager to view all parts of the facility from his desk.

Vehicle Condition

HTA maintains a fleet of 75 active buses. Nine of these vehicles are owned and used by Arcata and Mad River Transit. HTA has a good vehicle replacement schedule in place. On average, HTA fleet vehicles have a mileage of 181,928 miles and an average age of 9 years. During the audit period, HTA replaced six vehicles that had reached the end of their useful life.

The Auditor's analysis of HTA services indicates that, in terms of operations, the system was efficiently run and well managed during the audit period.

FINDINGS

- Although HTA systemwide ridership declined nine percent during this audit period, ridership increased by 12 percent over the six year period between FY 2013-14 and FY 2018-19. Most public transit agencies in the US have seen declines in ridership over this period due to a variety of factors including cheap auto loans, growth in the economy and inexpensive gas prices.
- Productivity on the fixed routes (roughly 12 – 13 one-way passenger-trips per vehicle service hour) is above the industry standard of 10 passengers per hour. DAR productivity is also on par with other demand response services, around two passenger trips per vehicle service hour.
- Operating cost per trip for fixed route services of around \$6 to \$8 per trip is on par with other rural transit systems.
- Although there was insufficient data for DAR services in FY 2016-17, performance indicators for the audit period show that HTA taking over management of all DAR services has improved efficiency and cost effectiveness.
- All the prior audit recommendations were implemented or are in progress.
- HTA has a good data and revenue collection process in place.
- During the audit period, HTA met most of the TDA requirements with the exception of:
 - Completing Fiscal and Compliance Audits on-time
 - Completing State Controller Reports on-time
 - Operating costs increasing more than 15 percent in one year (FY 2017-18 operating costs increased 16 percent over the prior year)
- HTA transit services exceeded the required farebox ratio of 10 percent each year of the audit period. Farebox ratio ranged from 23 to 26 percent according to Fiscal Audit calculations.
- HTA has expanded the operations and maintenance facility to meet the needs of a regional public transit operator as well as prepare for the eventual switch to alternative fuel technology.
- As with many rural transit operators, HTA could benefit by having a dedicated planner to assist with grant writing and management, outreach and general transit planning. HTA recently requested funding for a planner through STA funds, however, because of the COVID-19 epidemic, the short-term future of STA revenues is uncertain.

- During this audit period, HTA's role as the regional public transit operator expanded. HTA became the designated CTSA and now manages all the DAR services for the region. HTA also now oversees and operates all aspects of the Eureka Transit System. In a rural county, having one public transit operator is cost efficient and a good use of minimal resources such as maintenance facility or administrative staff.

RECOMMENDATIONS

Overall, the Auditors find the HTA system to be a good example of a well-run rural transit program, which is making efficient use of public resources. The auditor has the following recommendations.

Recommendation 1: *Report operating data and performance measures to the State Controller in accordance with definitions in Appendix B of the Performance Audit Guidebook.*

HTA compiles detailed operating data reports for each route/type of service. The DAR reports include both revenue and non-revenue hours and miles. However, fixed route reports only include total vehicle hours and miles. These figures are reported to the Board (as this represents total cost) and the State Controller. To be consistent with other transit operators, HTA should report to the State Controller as defined in *Appendix B of the Performance Audit Guidebook*.

Vehicle Service Hour – *That time during which a revenue vehicle is available to carry fare-paying passengers, and which includes only those times 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.*

Vehicle Service Mile – *Those miles traveled by revenue vehicles during their vehicle service hours.*

Recommendation 2: *For TDA eligibility and compliance purposes, calculate one farebox ratio for all of HTA services in the Fiscal and Compliance audit as an added performance statistic.*

Prior to enactment of SB 508, older transit operators were required to maintain the same farebox ratio they had in 1978 if that was higher than the applicable rural or urban standard requirement. As such, Eureka Transit System and Redwood Transit System were subject to 18.8 percent and 26.4 percent farebox ratios, respectively. Per current law, all transit operators in Humboldt County are required to maintain a 10 percent farebox ratio. Additionally, over the years, public transit in Humboldt County has become more consolidated. Both management and operation of Eureka Transit System is now conducted by HTA. Realistically, Redwood Transit System and Southern Humboldt Intercity operate as different service elements within HTA, rather than separate transit systems. In a rural county where there are few entities capable of providing transportation services, it makes sense to have a long-term goal of further consolidating public transit services. Creating one farebox ratio requirement for all services operated by HTA is one step toward this goal, as well as standard practice.

Calculating separate farebox ratios for each HTA route should remain an important performance measure to judge the effectiveness of the various routes and can be conducted by HTA for monthly or annual reports as well as the Fiscal Auditor. However, when determining compliance with TDA PUC Code 99268.1, 99268.2 and 99268.3, farebox ratio should be calculated on a systemwide level for HTA. Additionally, HTA should continue to work with the fiscal auditor to ensure that all appropriate

operating cost exclusions and fare revenue additions are being applied to farebox ratio calculation. TDA guidance regarding farebox ratio calculation is summarized below:

Fare revenue should only include the following categories:

- Object class 401 revenues include full adult, senior, student, child, handicapped, Park-and-Ride lot revenues (must be operated by transit operator), special and reduced fares collected from passengers.
- Object class 402 revenues include guaranteed revenues collected from an organization rather than a rider for rides given along special routes.
- Object class 403 revenues include revenues collected from schools for providing service to children to and from school.

It should be noted that Low Carbon Transit Operations Program (LCTOP) funds acquired for the purpose of having fare – free transit service can be categorized as fare revenue under object class 402.

If fare revenue alone is insufficient to meet the 10 percent requirement, HTA can use “local funds” supplement fare revenue. Local funds are defined as, “any nonfederal or nonstate grant funds or other revenues generated by, earned by, or distributed to an operator. Examples include advertising revenue, lease revenue or funds provided by a local agency.

On expense side, operating cost increases beyond the change in the Consumer Price Index for the following categories can be excluded from farebox ratio calculation:

- Complementary paratransit service
- Fuel
- Alternative fuel programs
- Power, including electricity
- Insurance premiums and payments
- State and federal mandates
- Startup costs for new services for a period of not more than two years – This is here for information

There is also some leeway in TDA law to distinguish LCTOP funds as local funds, if the RTPA desires.

Recommendation 3: *Annually provide a performance report to the HTA board which sums all routes and services to get a better idea of overall systemwide trends and farebox ratio.*

As HTA is a regional public transit system, the various services (Eureka Transit System, Redwood Transit System, etc.) are essentially routes/services operated by HTA. Therefore, it is appropriate for HTA services to analyze performance of the entire system as a whole in addition to reviewing each route or service separately. For TDA purposes, farebox ratio need only be calculated at the systemwide level. Detailed performance measures by route, as prepared in existing HTA operations reports, are still important tools to analyze the efficiency of transit services, particularly as the routes vary greatly in terms of distance travelled and area served. However, the HTA Board should have the data available to

make year to year comparisons of HTA as a whole system. This should not eliminate calculation of farebox ratio at the route level but rather add to the performance evaluation.

Recommendation 4: *HTA should prepare a Request for Proposals (RFP) to procure separate accounting services outside the County Auditor*

The FY 2018-19 Fiscal and Compliance Audit was completed one month after the required submittal date per PUC 99245 even after a 90 day extension was filed. The Fiscal Auditor was unable to begin the work in a timely fashion as the County Auditor had not yet provided the data. The Humboldt County Auditor has many responsibilities as the position oversees financial books for all county departments in addition to providing accounting services for HTA. In rural areas, county auditors are often understaffed, and public transit is not always the top concern. This may require that transit operator staff spend unnecessary staff time following up with the County Auditor to obtain data or information. In addition to delaying the completion of the Fiscal and Compliance Audits, the Humboldt County Auditor has at times delayed allocating TDA funds needed for public transit operations. Many other transit agencies and RTPA's have found that contracting with a private accounting firm to provide accounting services is cost effective and reduces delays associated with reporting to the State Controller and for Fiscal and Compliance Audit purposes. Therefore, it is recommended that HTA prepare and circulate an RFP to procure separate accounting services outside the County Auditor.