



Modoc Transportation Agency

Triennial Performance Audit
For the Three Years Ended
June 30, 2018



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Triennial Performance Audit
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INDEPENDENT AUDITORS REPORT

To the Board Members of the
Modoc Transportation Agency
Alturas, California

I have conducted the performance audit of Modoc Transportation Agency for the three years ended June 30, 2018. The results of our audit and related recommendations and comments are contained within this report.

I conducted my audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and with the guidance contained in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, published by the California Department of Transportation. The purpose of this performance audit is to evaluate the efficiency, effectiveness, and economy of the operation of Modoc Transportation Agency.

This report is intended solely for the information and use of the management of Modoc Transportation Agency and the Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

Monica Derner CPA PC

Monica Derner CPA PC
Alturas, California 96101
January 24, 2019

Executive Summary

Overall, Modoc Transportation Agency (Agency) operates efficiently, effectively, and economically to provide public transit operations to Modoc County.

As discussed in more detail under recommendations, the Agency includes insignificant deadhead hours in its total service hours.

Introduction

Objective

This is the performance audit report of Modoc Transportation Agency as the transit operator for Modoc County and the surrounding region, covering the three years ended June 30, 2018. The California Transportation Development Act (TDA) requires that each transportation planning agency designate an independent entity to conduct a triennial performance audit of the transit operators to whom it provides funding under the provisions of Public Utilities Code (PUC) Section 99246 and guidance of provided in the Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities, published by the California Department of Transportation Division of Mass Transportation in September 2008.

Scope

Our audit consisted of four main areas of focus that included a review of compliance with the Transportation Development Act (TDA), a review of the status of the prior performance audit recommendations, a verification and analysis of performance indicators, and a review of functional areas.

Methodology

This audit was also conducted in accordance with the efficiency, economy and effectiveness standards contained in Government Auditing Standards, issued by the Comptroller General of the United States. The methodology consisted of interviews of transit staff, review of pertinent documents, verification of data collection processes, analysis of operating and financial data, and review of internal and external documents.

System Overview

The Agency is the transit operator providing public transportation service to the citizens of Modoc County. Operations began in 1999.

The Agency has an Executive Director, Senior Transportation Planner, and a Chief Fiscal Officer who oversee the transit budget, prepare the monthly transit statistical reports, and prepare grant applications and annual TDA claims. The Agency also reports to members of the Modoc County Transportation Commission to coordinate services and meet transit needs.

Annual budgets, including capital spending, are approved, by the Agency's governing board. Grant applications are approved by the Modoc Transit Agency. Scope of services is determined each year by the annual Unmet Transit Needs process conducted in Modoc County.

The transit service operations were contracted out to MV Transportation from the period of July 1, 2015 to June 30, 2018, with an approved 2-year extension, and provides drivers and operations management.

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Route scheduling, vehicle purchases, budgeting and overall management is provided by Agency staff, while maintenance of buses is performed by an outside vendor in Redding, California.

The Agency operates three inter-city routes, and demand response services. One inter-city route service is provided from Alturas to Redding. The other two inter-city routes run between Alturas and Klamath Falls, and a route from Alturas to Susanville, and then to Reno. The system includes connections and transfers to the Redding Area Bus Authority, Lassen Rural Bus, Plumas Transit, RTC / RIDE in Reno, and Basin Transit in Klamath Falls.

The demand response service is provided for everyone's use and operates within a 10-mile radius of the Alturas city limits. Dispatch is used to accept reservations for trips. Reservations are accepted but not required and can be made in advance and on a repetitive basis. Same-day reservations are also allowed.

The following is a summary of the routes offered by the Agency and the respective service areas:

Type of Service	Route Name	Service Area	Days & Hours
Inter-City Route	Alturas – Redding	Alturas Canby Adin Bieber Fall River Mills Burney Redding	Tuesday. 7:30 am start in Alturas. Arrive in Redding at 10:30 am. Depart Redding at 12:45 pm. Arrive in Alturas at 3:35 pm.
Inter-City Route	Alturas – Susanville-Reno	Alturas Likely Madeline Susanville Doyle Reno	Monday & Wednesday & Friday. 8:00 am start in Alturas. Arrive in Susanville at 9:45 am. Arrive in Reno at 11:45 am. Depart Reno at 1:45 pm. Arrive in Susanville at 3:30 pm. Arrive in Alturas at 5:30 pm. Route ends at 5:35 pm.
Inter-City Route	Alturas – Klamath Falls	Alturas Canby Newell Tulelake Klamath Falls	Thursday. 8:00 am start in Alturas. Arrive in Klamath Falls at 9:50 am. Depart Klamath Falls at 1:45 pm. Arrive in Alturas at 3:45 pm.
Inter-City Route	Alturas – Canby	Alturas Canby	Tuesday. 7:30 am start in Alturas. Arrive in Canby at 7:50 am. Depart Canby at 12:30 pm.* Arrive in Alturas at 1:45 pm.* Thursday. 8:00 am start in Alturas. Arrive in Canby at 8:20 am. Depart Canby at 12:30 pm. Arrive in Alturas at 1:45 pm.
Demand Response	Local Bus Service	City of Alturas and areas within a 10-mile radius	Monday thru Friday. 7:45 am to 5:15 pm.

*Other routes that pass thru Canby provide services at indicated times.

Alternate pick up and drop off times can be arranged before or after scheduled arrival and departure times for an additional fare.

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The Agency has two categories for inter-city fares which are the regular and discount. Discounted fares are available for students, children, elderly, or disabled passengers. Inter-city route fares depend upon the route used but vary from \$6.00-\$50.00 for general fares and \$4.50-\$38.00 for discounted fares. The demand response service varies by destination as well and ranges from \$1.00-\$3.00.

The Agency's transit fleet is shown below consisting of 7 revenue producing vehicles. All vehicles are equipped with wheelchair lifts which comply with the Americans with Disabilities Act (ADA). Fleet funding has been provided by a combination of federal and state grants and Transportation Development Act revenues.

Vehicle Number	Model Year	Make	Mileage at June 30, 2018	Capacity*
T12	2009	GMC 5500 Glaval Titan	180,242	16 + 1 wheelchair or 14 + 2 wheelchairs
T14	2009	GMC 5500 Glaval Tital	202,545	16 + 1 wheelchair or 14 + 2 wheelchairs
T16	2010	Dodge Braun Enter Van	11,202	4 + 1 wheelchair 2 + 2 wheelchairs
T17	2014	Chevrolet Glaval Titan II	89,060	12 or 10 + 2 wheelchairs
T18	2015	Chevrolet Glaval Titan II	82,586	14 or 12 + 2 wheelchairs
T19	2015	Chevrolet Glaval Titan II	61,005	14 or 12 + 2 wheelchairs
T20	2016	Chevrolet Arboc	41,713	15 or 11 + 2 wheelchairs

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Review of TDA Compliance

The Public Utilities Code (PUC) and California Code of Regulations include eleven operator compliance requirements. We verified that the Agency is in full compliance, or not subject to all of the eleven requirements. The table below summarizes the audit findings relative to each of the compliance requirements. A discussion of each area of compliance follows:

	Operator Compliance Requirements	Reference	Compliance
1	The transit operator submitted annual reports to the RTPE based upon the Uniform System of Accounts and Records established by the State Controller.	PUC 99243	Yes
2	The operator has submitted annual fiscal and compliance audits to its RTPE and to the State Controller within 180 days following the end of the fiscal year, or has received a 90-day extension allowed by law.	PUC 99245	Yes
3	The CHP has, within 13 months prior to each TDA claim submitted by an operator, certified the operator's compliance Vehicle Code Section 1801.1 following CHP inspection of the operator's terminal.	PUC 99251B	Yes
4	The operator's claim for TDA funds is submitted in compliance with rules and regulation adopted by RTPE for such claims.	PUC 99261	Yes
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.	PUC 99270.1	NA
6	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 the operations or capital budget provisions for major new fixed facilities unless the operator has reasonably supported and substantiated the changes.	PUC 99266	Yes
7	The operator's definition of performance measures are consistent with PUC Code Section 99247, including a) operating cost, b) operating cost per passenger, c) operating cost per vehicle service hour, d) passengers per vehicle service hour e) passenger per vehicle service mile, f) total passengers g) transit vehicle, h) vehicle service hours, i) vehicle service miles, and j) vehicle service hours per employee.	PUC 99247	Yes
8	In the operator serves an urbanized area, it has maintained a ratio of fare revenue to operating cost at least equal to 20%, unless it is in a county with a population of less than 500,000, in which case it must maintain a ratio of fare revenues to operating cost at least 15%, if so determined by the RTPE.	PUC 99268.1 PUC 99268.2 PUC 99268.3	NA
9	If the operator serves a rural area, it has maintained a ratio of fare revenues to operating costs at least equal to 10%.	PUC 99268.2 PUC 99268.4 PUC 99268.5	Yes
10	The current cost of operator's retirement system is fully funded with respect the officers and employees of its public transportation system, or the operator is implementing a plan approved by the RTPE, which will fully fund the retirement system for 40 years.	PUC 99271	Yes
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.	CA Code of Regulations, Section 6754(a)(3)	Yes

The Operator's capital budget was increased to provide for land acquisition, site preparation, and construction of facilities to accommodate pickup and drop off setting for transportation users and provide a community setting.

Status of Prior Audit Recommendations

The prior TDA performance audit was completed for the triennial period ended June 30, 2015, contained two recommendations. As part of the current audit, the status of this recommendation was reviewed. The recommendation is listed below along with its current status.

1. The Organization should consider investing in software that allows it to capture and calculate performance indicators required by the TDA, as well as other metrics that would enable management and the board to make better informed decisions

Status of Recommendation: This recommendation has not been implemented. However, other mitigating activities are in place that provide accurate and comparative data for decision making. Accordingly, this recommendation is considered cleared.

2. The Agency correctly excludes lunch periods, rest breaks and standby time in their terminus city on intercity routes. However, the Agency does not exclude vehicle inspection/clean time and deadhead time. As noted above, Sage Stage first scheduled pickup/drop-offs are generally less than one half mile (or one minute) from the yard, although occasionally the demand response service will have the first pickup in the community of California Pines, which is a 20-minute drive. Overall, the time associated with deadhead travel and inspection/cleaning is relatively small compared to total vehicle service hours and will not significantly change performance measures calculated as part of this audit. It should also be noted that changing the vehicle hour/mile calculation process would require changing driver run sheets and re-training drivers. However, to be consistent with stat regulations, the Agency is required to report vehicle service hours in accordance with the TDA definition. Similarly, vehicle service miles should not include mileage accrued during deadhead travel. If changing the reporting process proves too costly, Agency management could estimate the number of deadhead hours/miles each month based on driver run sheets and subtract this figure from vehicle service hours and miles reported to the State Controller.

Status of Recommendation: This recommendation has not been implemented. See current year recommendation #1

Verification of Performance Indicators

TDA regulations specify that transit operator performance audits verify data collection and reporting procedures for the five statistics described and discussed below. For this verification, we reviewed the methods used by the Agency to measure operating costs, revenue service hours and miles, passengers and employee full-time equivalents.

Operating Cost

Operating cost for purposes of calculating performance indicators is defined as the annual cost of running a transit operation, exclusive of depreciation, capital expenditures, vehicle lease costs, and the direct costs of providing charter services. Methods of financial accounting for expenses in fiscal years in the triennial period and operating cost were audited and reported in each year's audit report.

Operating cost information is provided on the monthly system route statistic report. Expenses are taken from the monthly contractor invoices from MV Transit and also from the Agency's accounting system. Expenses are grouped and include operating costs, insurance, overhead and other administrative costs. Cost information by route is not available and can only be evaluated on a system-wide basis.

Operating Cost Per Vehicle Service Hours (VSH)

Vehicle service hours are defined by the TDA as the total hours that vehicles are in revenue service. This excludes deadhead time, which is described as the travel time to and from storage facilities, and any breaks in service, such as driver's breaks and lunches. Due to the small area and minimal travel time between the lot and the first stop, revenue service begins when a vehicle leaves the parking lot to begin its daily route.

Drivers record the time on the Driver Manifest at the beginning and end of their shifts.

Vehicle Service Miles (VSM)

Vehicle service miles are defined by the TDA as the total annual miles traveled in revenue service. This excludes miles traveled to and from storage facilities and other deadhead travel. Drivers record the mileage at the start and end of their daily route on the Driver Manifest based on odometer readings.

Passenger Boarding

Passenger counts include all passenger boarding, whether revenue producing or not.

The driver records the number of passengers carried for each trip on the Driver Manifest. Drivers indicate the type of fare paid for each passenger and the number of passengers is totaled at the end of the day. Data from the Driver Manifest is accumulated in the Agency's Monthly Statistics reports. This consists of Excel spreadsheets that accumulate statistics by day for each route. The data is obtained directly from the Driver Manifest.

Fare Revenue

Methods of financial accounting of fare revenues were audited for each fiscal year in the audit period and fare revenues are reported in each year's audit report.

All buses have locked fareboxes. Drivers track fares on their Driver Manifest and at the end of the shift the drivers place the sheet inside the locked box. Drivers do not have keys to the boxes. At the end of the shift each day, the locked fareboxes are removed from the vehicles and brought to the office. A member of the office staff unlocks the fare box with the driver present and together they count the funds in the fare box. The total funds collected from the locked box is compared and reconciled to the total on the Driver Manifest.

Employee Full-Time Equivalents

For TDA purposes, full-time equivalent (FTE) hours are required to be calculated as all the hours worked by the employees during the fiscal year divided by 2,000. Thus, one person working 40 hours per week, 50 weeks per year would qualify as 1.0 FTE. Hours worked must include all hours related to transit, including drivers, mechanics and administrative personnel.

Data to calculate FTE equivalents was available on the Agency's Monthly System Route Statistic Report.

Analysis of Performance Indicators

Transit services were evaluated using the following indicators:

- Operating cost per passenger;
- Operating cost per revenue service hour;
- Passengers per revenue service hour;
- Passengers per revenue service mile, and
- Revenue service hours per employee.

In addition to these TDA required indicators, a discussion of trends in fare revenue and the fare revenue ratio is included. Cost data was only available on a system-wide basis, so indicators of this type are not presented by route.

- The following schedules and analysis are provided:
- System-wide performance statistics are presented in Exhibit 1.
- Inter-city route performance statistics are presented in Exhibit 2.
- Demand response service route performance statistics are presented in Exhibit 3.

Data Sources Used

Data was obtained from the annual audit reports and internal spreadsheets that show performance for the individual services operated by the Agency.

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Exhibit 1: System-Wide

Operating Data	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Operating Cost	\$ 282,912	\$ 376,578	\$279,337	\$415,808	\$405,892	\$401,252
% Annual Change	-13.8%	33.1%	-25.8%	48.9%	-2.4%	-1.1%
Passengers	10,001	9,051	9,594	15,674	12,624	13,251
% Annual Change	-8.2%	-9.5%	6.0%	63.4%	-19.5%	5.0%
Revenue Miles	125,778	123,209	122,735	152,855	140,372	121,945
% Annual Change	5.2%	-2.0%	-0.4%	24.5%	-8.2%	-13.1%
Revenue Hours	5,176	4,721	4,832	6,473	5,923	5,738
% Annual Change	10.5%	-8.8%	2.4%	34.0%	-8.5%	-3.1%
FTE Equivalents	3	3	3	3	3	3
% Annual Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Farebox Revenue	\$ 71,079	\$ 71,720	\$ 68,326	\$ 79,523	\$ 67,148	\$ 58,133
% Annual Change	3.6%	0.9%	-4.7%	16.4%	-15.6%	-13.4%
Cost Per Passenger	\$ 28.29	\$ 41.61	\$ 29.12	\$ 26.53	\$ 32.15	\$ 30.28
% Annual Change	-6.1%	47.1%	-30.0%	-8.9%	21.2%	-5.8%
Cost Per Mile	\$ 2.25	\$ 3.06	\$ 2.28	\$ 2.72	\$ 2.89	\$ 3.29
% Annual Change	-18.2%	35.9%	-25.5%	19.5%	6.3%	13.8%
Cost Per Hour	\$ 54.66	\$ 79.77	\$ 57.81	\$ 64.23	\$ 68.53	\$ 69.93
% Annual Change	-22.0%	45.9%	-27.5%	11.1%	6.7%	2.0%
Passengers Per Mile	0.08	0.07	0.08	0.10	0.09	0.11
% Annual Change	-11.7%	-7.6%	6.4%	31.2%	-12.3%	20.8%
Passengers Per Hour	1.93	1.92	1.99	2.42	2.13	2.31
% Annual Change	-16.7%	-0.8%	3.6%	22.0%	-12.0%	8.4%
Revenue Hours Per FTE	1,725	1,574	1,611	2,158	1,974	1,913
% Annual Change	10.5%	-8.8%	2.4%	34.0%	-8.5%	-3.1%
Farebox Recovery	25.12%	19.05%	24.46%	19.12%	16.54%	14.49%
% Annual Change	20.2%	-24.2%	28.4%	-21.8%	-13.5%	-12.4%
Average Fare / Passenger	\$ 7.11	\$ 7.92	\$ 7.12	\$ 5.07	\$ 5.32	\$ 4.39
% Annual Change	12.8%	11.5%	-10.1%	-28.8%	4.8%	-17.5%

1. FTE Equivalents were recalculated using the formula, total employee hours divided by 2,000.
2. Operating costs does not include depreciation.

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Exhibit 2: Inter-City Routes

Operating Data	2014-15	2015-16	2016-17	2017-18
Passengers	3,583	3,896	3,250	2,486
% Annual Change	7.5%	8.7%	-16.6%	-23.5%
Revenue Miles	106,570	110,801	97,581	84,280
% Annual Change	3.5%	4.0%	-11.9%	-13.6%
Revenue Hours	3,021	3,174	2,704	2,228
% Annual Change	18.1%	5.1%	-14.8%	-17.6%
Farebox Revenue	\$ 58,709	\$ 61,277	\$ 52,880	\$ 45,368
% Annual Change	0.8%	4.4%	-13.7%	-14.2%
Passengers Per Mile	0.03	0.04	0.03	0.03
% Annual Change	12.1%	4.6%	-5.3%	-11.4%
Passengers Per Hour	1.19	1.23	1.20	1.12
% Annual Change	-8.8%	3.5%	-2.1%	-7.2%
Average Fare Per Passenger	\$ 16.39	\$ 15.73	\$ 16.27	\$ 18.25
% Annual Change	-6.3%	-4.0%	3.4%	12.2%

Exhibit 3: Demand Response Service

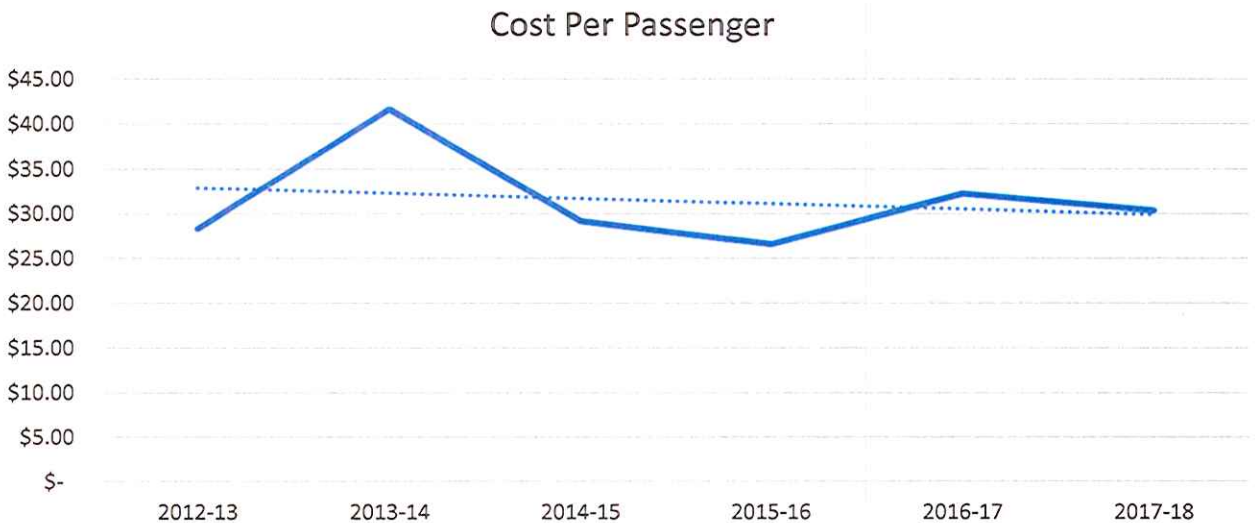
Operating Data	2014-15	2015-16	2016-17	2017-18
Passengers	6,159	11,778	9,374	10,765
% Annual Change	7.7%	91.2%	-20.4%	14.8%
Revenue Miles	22,697	42,054	42,791	37,665
% Annual Change	12.0%	85.3%	1.8%	-12.0%
Revenue Hours	2,020	3,300	3,220	3,511
% Annual Change	-6.6%	63.4%	-2.4%	9.0%
Farebox Revenue	\$ 10,781	\$18,246	\$ 14,268	\$ 12,765
% Annual Change	-19.9%	69.2%	-21.8%	-10.5%
Passengers Per Mile	0.27	0.28	0.22	0.29
% Annual Change	-3.6%	3.7%	-21.4%	31.8%
Passengers Per Hour	3.05	3.57	2.91	3.07
% Annual Change	15.5%	17.0%	-18.5%	5.5%
Average Fare Per Passenger	\$ 1.75	\$ 1.55	\$ 1.52	\$ 1.19
% Annual Change	-25.5%	-11.4%	-1.9%	-21.7%

Cost Effectiveness

Cost effectiveness of a transit system measures the rate at which services were consumed in relation to the resources expended. This concept addresses the question, "How many resources were expended per unit of consumption." Consumption is measured by the number of passengers using the system. Resources expended are measured by the amount of operating costs incurred.

The trend in operating cost per passenger is presented below in Exhibit 4.

Exhibit 4: Cost Per Passenger



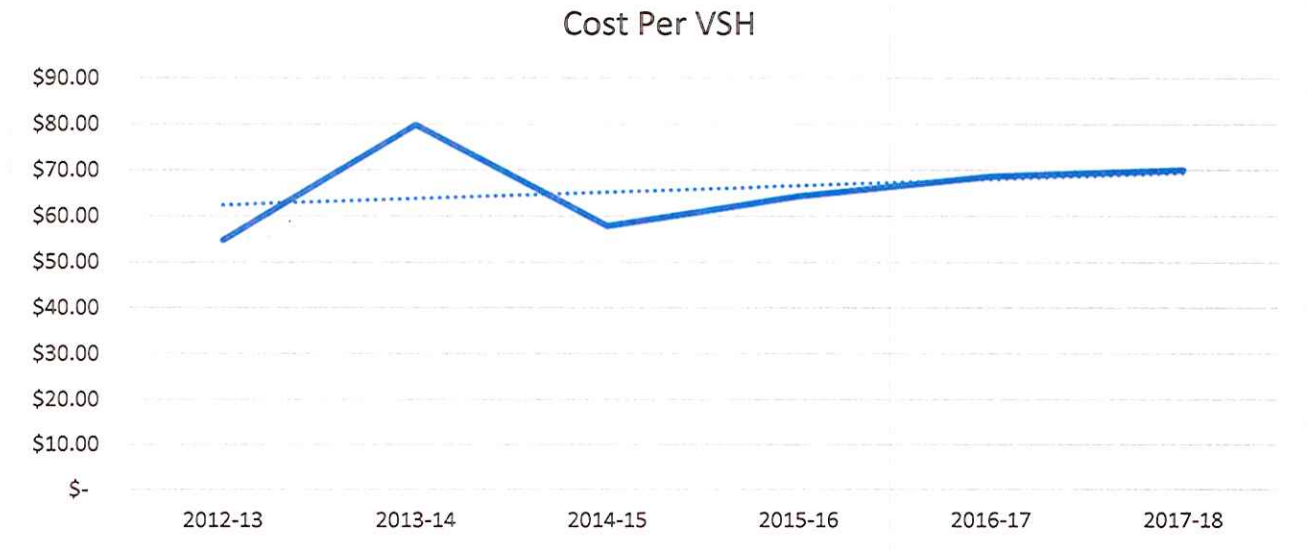
The cost per passenger trend remained relatively consistent over the 6-year period, with exception to the spike in 2013-14. Operating costs increased in 2013-14 due to professional services and furniture and equipment incorporated with building the new office, as well as increased training expenses associated with driver turnover. However, in 2014-15 operating costs declined back to consistent levels.

Cost Efficiency

Cost efficiency of a transit system measures the amount of public transit services produced for the community in relation to the resources expended. This measure addresses the question, "How many resources were expended per unit of public transit service produced?" Units of service produced are measured in terms of service outputs such as vehicle service hours and miles. Resources expended are measured by the amount of operating costs incurred.

The trend in operating costs per vehicle service hour(VSH) is presented below in Exhibit 5.

Exhibit 5: Cost Per Vehicle Service Hour



The operating costs are higher in 2013-14 due to expenses related to the new main office, new training program, salaries, utilities, and other costs, and then adjusted back to fairly consistent levels. Costs are relatively constant from year to year due to the contract with the operator. The rate paid per hour of service to the transit provider does not necessarily increase or decrease with changes in service levels.

Vehicle service hours have slightly decreased in 2014-15 due to decreased ridership and due to a portion of time that the Agency was short a driver.

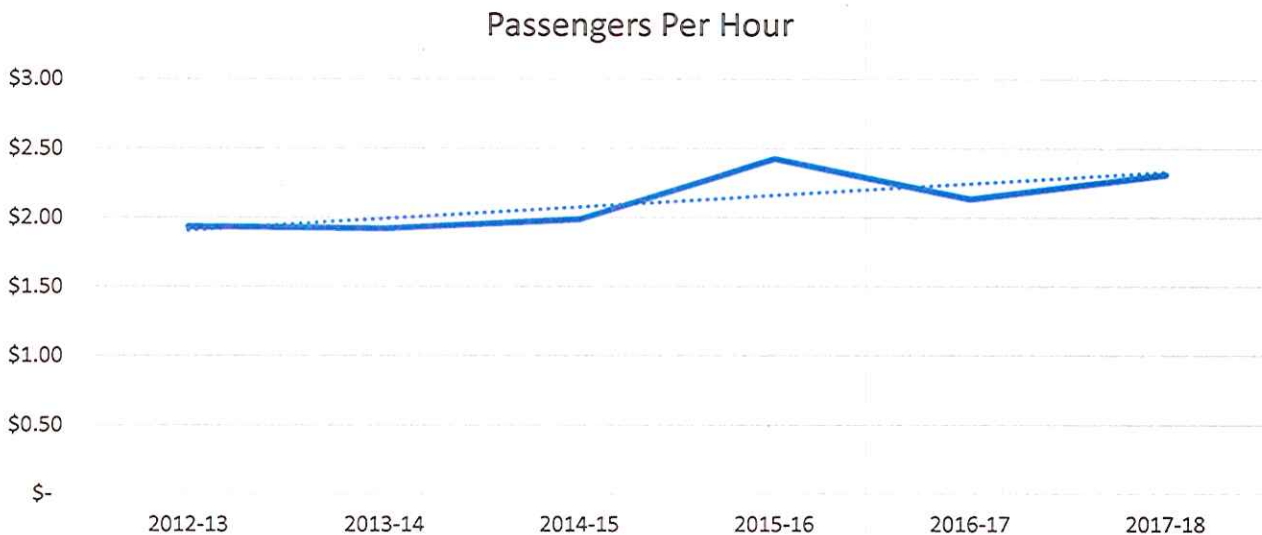
Service Effectiveness

Service effectiveness of the transit system measures the rate at which services are used compared to the amount of services available. This addresses the question, "How much transportation service was consumed?" Consumption is measured by ridership. The amount of service available is measured by vehicle service hours and miles. The result is an indication of the system's productivity.

The trend in the number of passengers per vehicle service hour is shown below in Exhibit 6.

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Exhibit 6: Passengers Per Hour



The Agency provides two types of services that included the inter-city routes and the demand response service. The relative size of each type of service as measured by the total number of passengers per year is shown in Exhibit 7. The demand response service is the main route and carries about 77 percent of the system's passengers for the 3 years ended June 30, 2018. The six-year trend illustrated in Exhibit 7 indicates that ridership has steadily risen for demand response services although fare rates have decreased. Conversely, inter-city routes reflected a slight decline after 2015-16 after the Fort Bidwell route was discontinued.

Exhibit 7: Passengers

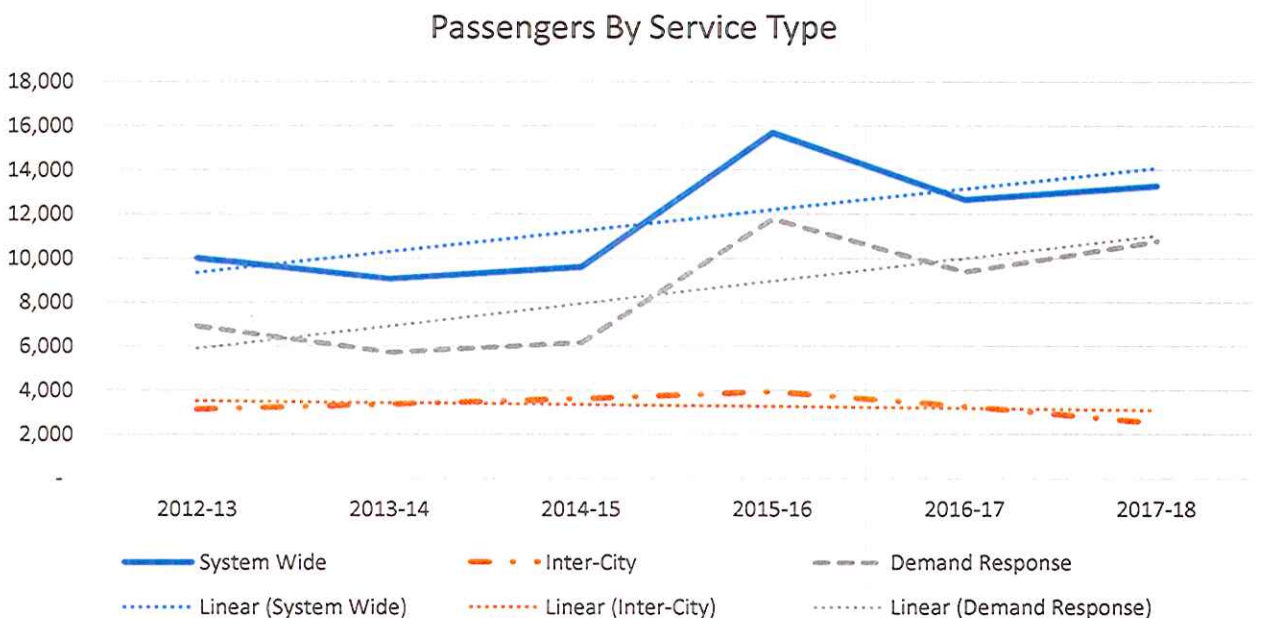
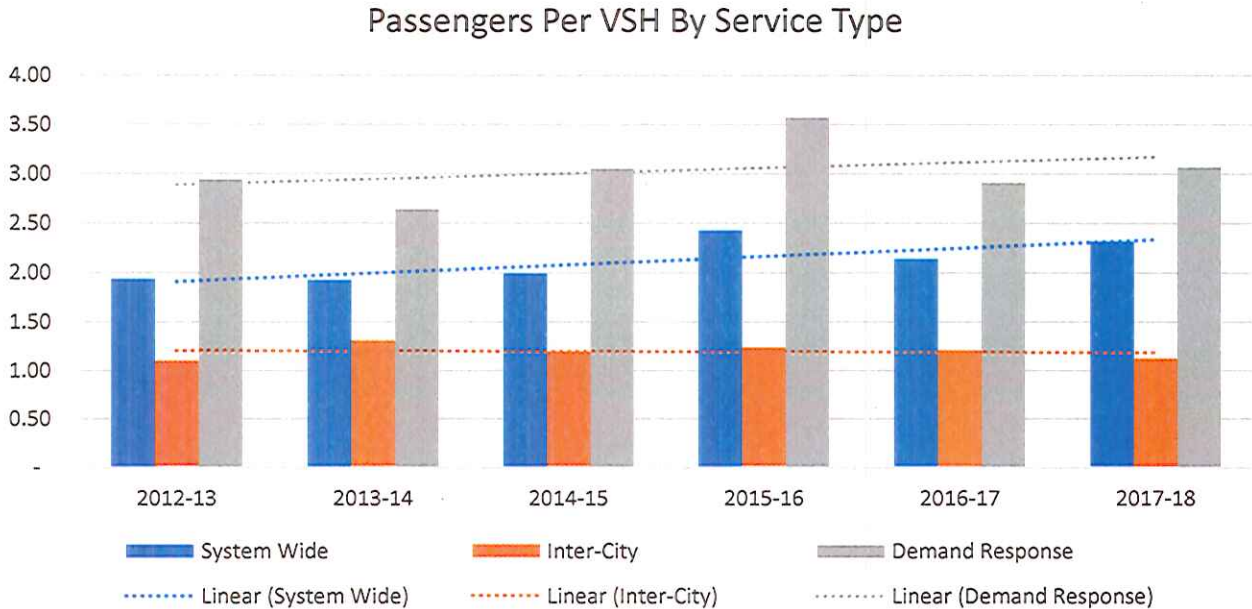


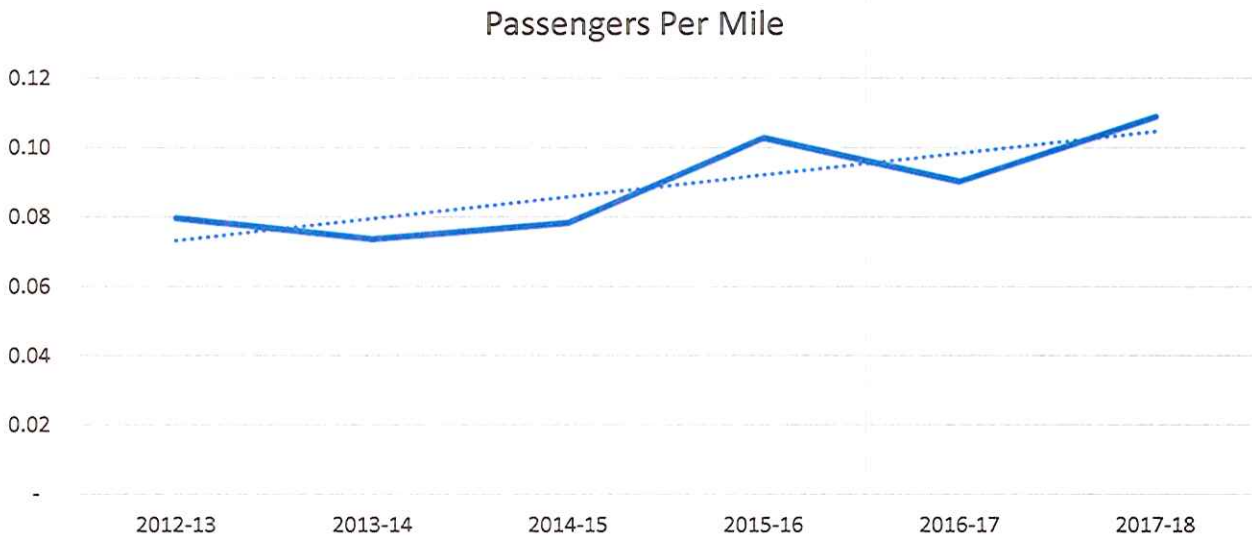
Exhibit 8 shows the number of passengers per vehicle hour by route as compared to the system-wide rate. The routes have shown slight increases over the six-year period.

Exhibit 8: Passengers Per Vehicle Service Hour by Service Type



The trend in the number of passengers per vehicle service mile is shown below in Exhibit 9. Passengers carried per vehicle service mile have increased over time from 0.08 to 0.11 per mile as ridership has grown.

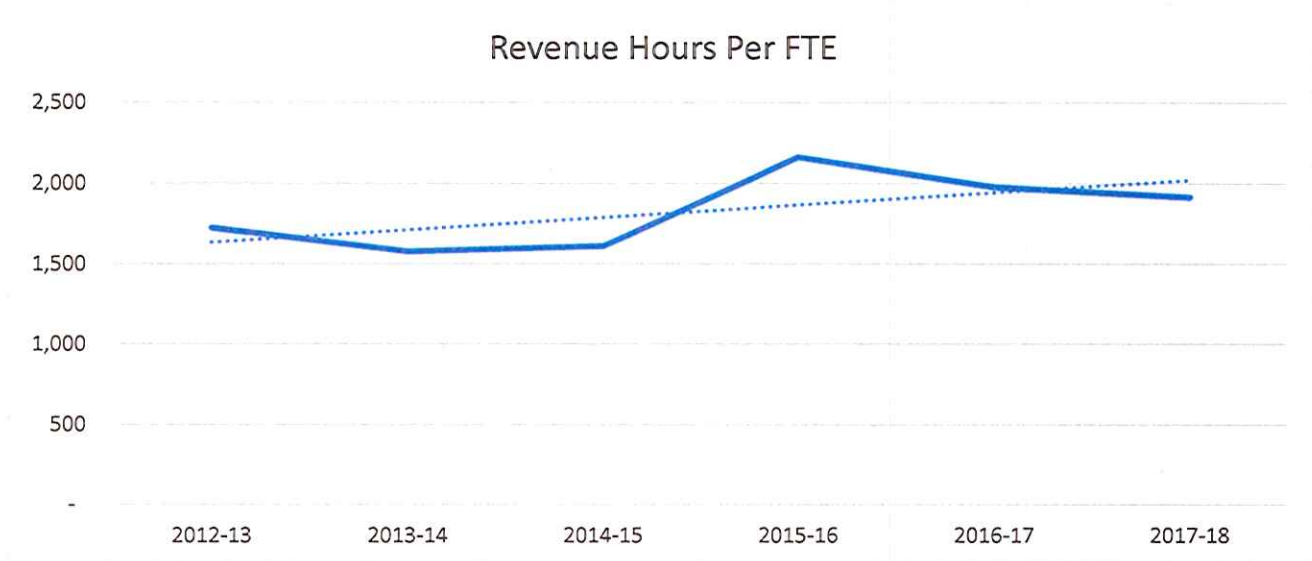
Exhibit 9: Passengers Per Mile



Revenue Service Hours per FTE

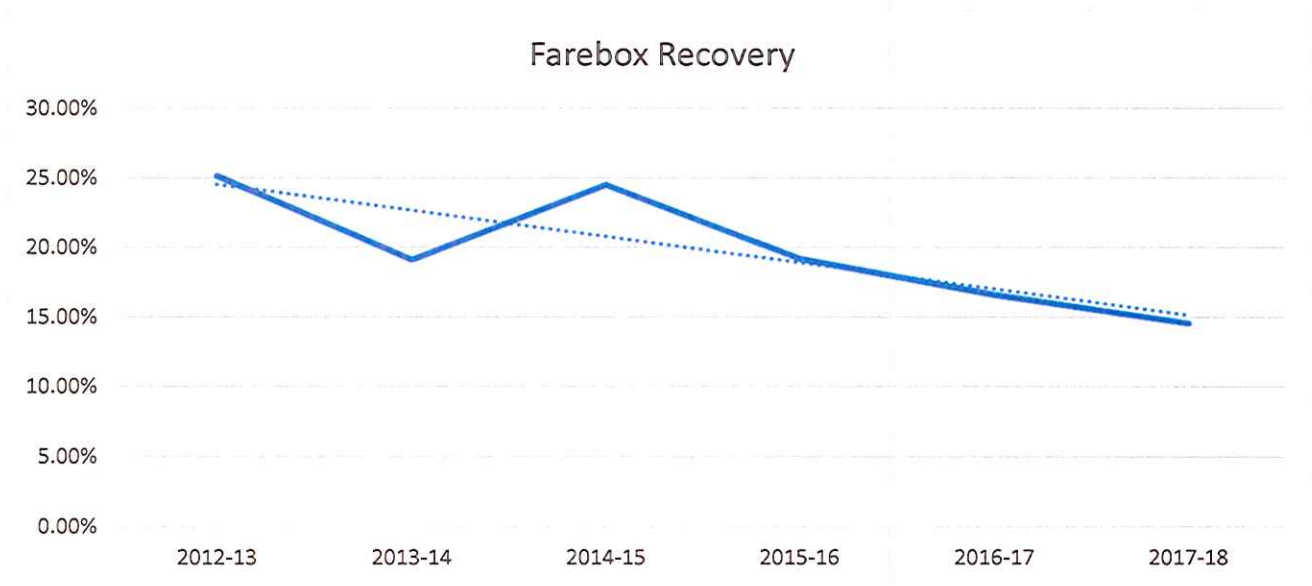
Revenue service hours per full-time equivalent employee measures transit system labor efficiency and is shown in Exhibit 10 for the six-year period on a system-wide basis. The changes are the result of being short drivers at times, and therefore being unable to run some routes. Similarly, increases will occur with more hours in years when the Agency was fully staffed. The Fort Bidwell route was terminated after 2015-16, resulting in a distinct decline.

Exhibit 10: Revenue Hours Per Full-Time Equivalent



The trend in system-wide fare box recovery ratios is shown below in Exhibit 11. The ratio indicates how much operating expense is covered by fare revenues.

Exhibit 11: Farebox Recovery



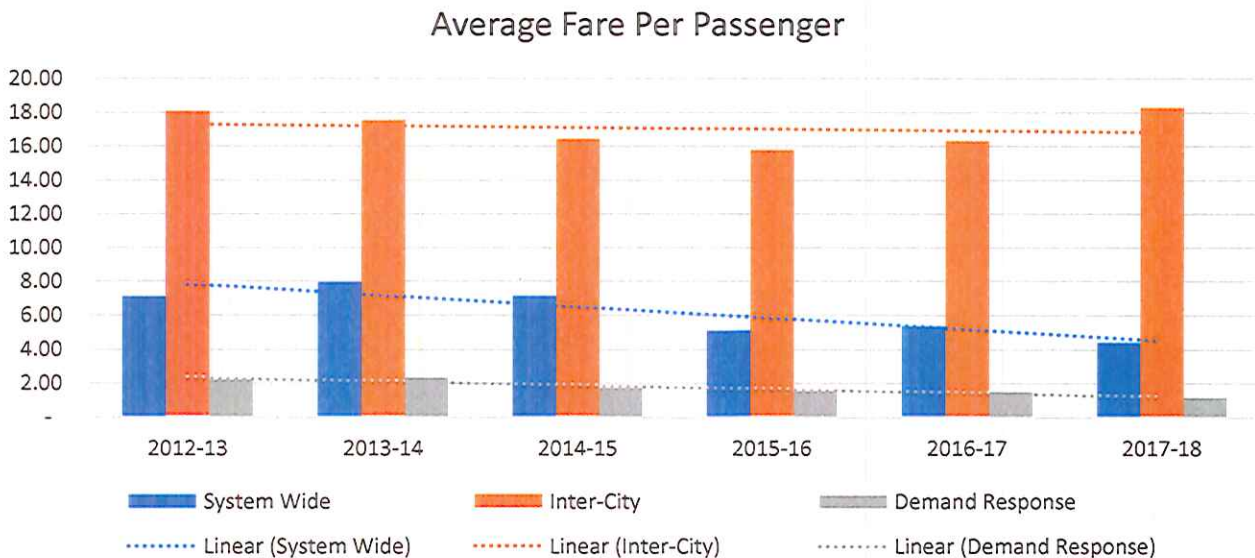
Operating Data	2015-16	2016-17	2017-18
Operating Cost	415,808	405,892	401,252
Farebox Revenue	79,523	67,148	58,133
Farebox Recovery	19.12%	16.54%	14.49%

The Agency is not required to meet a minimum farebox recovery because it is an Article 8 claimant. While other rural transit providers are struggling to meet minimum farebox requirements, The Agency is doing an excellent job through controlling operating costs.

Average Fare per Passenger

Average fare per passenger varies widely across the Agency's routes as shown in Exhibit 12. The Agency has a wide range of fare pricing. The demand response service route charges one-way fares ranging from \$1.00 to \$3.00 to the general public, which is a decrease from \$2.00 to \$6.00 as noted in the trending in the exhibit below. The inter-city routes have much higher one-way fares, running from \$4.50.00 to \$32.00. The route fares vary depending on the passenger's destination and length of trip. The trend illustrates the need for linking inter-community origins and destinations.

Exhibit 12: Average Fare Per Passenger



Functional Review

General Management and Organization

This functional area involves the overall administration of all functions performed by the transit operator and includes administrative oversight, organizational structure and reporting, recent program changes, areas of interest to management and the Board, and communications with other government agencies.

Policy direction comes from the Modoc Transit Agency Board of Directors, which is responsible for the adoption of the annual transit budget, as well as making all final decisions for the agency. Unmet transit needs are facilitated by the Modoc County Transportation Commission. Day-to-day management of the system is the responsibility of the Executive Director, who is assisted by a small staff consisting of a Chief Fiscal Officer and a Senior Transportation Planner. Transit operations are contracted to MV Transportation, a private entity. The management team functions to control transit operations and communicate with the Agency board, the Local Transportation Commission board and MV Transportation staff.

Agency management works toward staying within its annual budget and meeting public needs for transit. Route statistics are collected each month and financial data is integrated. Comparisons of the current month to the same month of the previous year are made for each route. More than the minimum performance indicators are reviewed. Current productivity levels are compared to the annual budget and desired productivity levels.

The Agency's system for accessing and reviewing data is developed from statistics obtained on daily route slips. The route statistics including ridership, vehicle service hours and miles and fare revenues are collected from the daily driver time and fare sheets. These are input to an Excel spreadsheet and then aggregated to produce a comprehensive monthly report. This information is reviewed regularly, and action is taken if indicators change by significant amounts. These reports are reviewed during the board meetings which are held every other month for a total of 6 times per year.

Service Planning

This functional area concerns the operator's preparation to serve future transit needs, including short-and long-term demand. Also considered is strategic planning, short-range planning, evaluation of inter-city routes, planning for special transportation needs, public participation processes, and administration of surveys to transit and non-transit users.

In cooperation with the Local Transportation Commission, the Agency carries out the functions of transit planning, route evaluation, and planning for special transportation needs. All meetings of the Agency are open to the public, and the public is encouraged to participate in these meetings. The Agency undergoes constant evaluation and considers community input to determine unmet transit needs, where ideas for changes in levels of service and route modifications are explored, implemented, and evaluated.

Existing routes are evaluated by the data collected on the Driver manifest. Rider information is documented in spreadsheets and evaluated on a monthly basis. The operator runs routes as long as there is a minimum of one rider. The operator does not currently obtain information regarding the purpose of trips made by route; however, reasonable estimates are made based upon destinations of riders.

New routes are evaluated after a start-up phase of ninety days. If the route is being utilized and there is evidence that ridership for that route is increasing, the route will be extended for another evaluation period of six months. Upon determination if the route is feasible, the Agency will either establish it as a route or will discontinue its operation. During the audit period, the Fort Bidwell route was discontinued.

Every vehicle in the Agency's fleet is equipped with American Disability Act (ADA) compliant equipment. Discount fares are available for inter-city route students aged 6 to 18 when traveling to or from school, children under 12 receive reduced fare when traveling with a fare paying adult, seniors over 60 are also eligible for discounted fares, and disabled persons with valid ADA cards are eligible to receive reduced fares.

Surveys are administered to existing riders via on-board surveys, which are available on all vehicles. Surveys are also published in local newspapers and distributed through social agencies. To supplement limited surveying a telephone number is posted on each bus instructing passengers to call the transit office if they have a comment, question, suggestion, or complaint.

Scheduling, Dispatch, and Operations

This functional area concerns the short-term scheduling of routes, drivers, and vehicles, the daily coordinating and assurance that each route or each demand response service customer is served, and the specific function of providing transportation service.

During the audit period, the Agency contracted with MV Transportation for the day-to-day operation, and management of the transit operations. MV Transportation staff assigned to Modoc's transit system includes four drivers. Of the drivers, two are full time, and two are part-time. All drivers start their routes at the transit office. Drivers are scheduled weekly by the Senior Transportation Planner, who works for the Agency. The Senior Transportation Planner creates the schedule at the beginning of the week. All drivers are licensed and capable of driving all vehicles. Drivers generally are assigned to a route covering a specific geographical area.

One of the Agency's biggest challenges is the recruiting of qualified drivers. The Agency is located in a rural area and has a very limited hiring pool from which to select drivers. In some cases, potential recruits are not experienced with the types of vehicles the Agency operates, in these instances the Agency offers training at the transit service center.

All drivers are eligible to receive paid vacation. Driver's requests for time off are scheduled in advance and coordinated to ensure that there are enough drivers, for scheduled routes. When drivers have unscheduled absences, they will call the transit service center to arrange for another driver to take their route for that day.

Dispatch operations are used for the demand response service and are located at the transit service center. The dispatch operations are handled by the office clerk or the general manager. The demand response service has no limitations on eligible passengers as the service area is small and the demand response service provides transportation services to a 10-mile radius of the City of Alturas.

Passengers may call in advance to schedule reservations or they can call the same day for service. Riders also have the ability to use a subscription service which allows them to be picked up on set days and times, if those riders will be using the demand response service regularly.

Outside of advanced reservations and subscription services for the demand response service, riders make same day reservations with the drivers themselves. Each driver has a phone with them on Agency vehicles, and as part of working the demand response service, drivers will accept new rider reservations and work riders into the demand response service system as they serve riders already on the vehicle. Due to the size of the transit operation, there is no automated system used for the demand response service and drivers are flexible to accommodate riders.

During this audit period, the Agency had a period where they struggled to maintain enough drivers to run all the routes. This caused a period of time where they had to cancel some days that certain routes ran.

Personnel Management and Training

This functional area concerns an operator's recruiting and management of human resources, including motivation, training, discipline, and benefits.

Open positions are recruited by the Agency through advertisements in local newspapers, as well as advertisements on the Sage Stage Website, a large now hiring sign, and on occasion, through Craigslist advertisements. It is difficult for the agency to recruit drivers due to the rural area of Modoc County, which provides a minimal pool of eligible employees. It is not common for recruits to have experience, so all new hires, regardless of experience, receive an initial one-week classroom training. Further training and licensing are provided to recruits without prior experience.

Turnover rates were high during the audit period apparently due to low wages, subpar performance, and unreliable attendance. Wages were raised from \$10.50 per hour to a beginning salary of \$14.50 per hour in an effort to attract qualified personnel and intensive training has continued. Even so, during certain times of the audit period, the Agency was short drivers and had to rearrange route schedules and cancel some days that routes usually would run. The Agency is currently fully staffed and running all routes again.

MV Transportation offers a safety incentive to drivers who do not have any accidents or incidents within the year period. Employee Evaluations are performed at 90 days and six months for new hires and then are performed annually. This gives the agency an opportunity to monitor employee performance and provide feedback. Evaluations monitor the employees' overall performance, safety, and attendance.

The Agency follows State guidelines to determine the level of training to provide its employees and ensure all employees are properly licensed. All initial training and licensing are offered by the Agency on site. All employees receive two hours every other month of ongoing training which meets state requirements. All vehicles are equipped with necessary safety equipment and safety inspections are performed by the drivers daily using a safety checklist.

Absentee and tardiness policies are communicated to employees at the time of hire. Drug and alcohol policies require pre-employment testing and follow state and federal requirements to enforce a zero-tolerance policy. When disciplinary action is necessary, personnel policies are followed. These policies include verbal, written, and final warnings as well as possible unpaid suspension or termination.

Full time employees are offered benefits including health and dental insurance, and the option for a 401K retirement plan through MV Transportation.

The annual CHP inspections found Agency driver records, including driver proficiency, proof of driver enrollment, supervisor training, lab testing, and DMV records to be current and in compliance.

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Administration

This functional area includes business and support services, which are necessary for almost any organization to continue operating and performing its primary functions. Sub-functions which are applicable to the Agency include:

- Budgeting and Management Information Systems
- Financial and Grants Management
- Risk Management and Insurance
- Contract Management
- Revenue Collection and Cash Management
- Payroll
- Accounts Payable
- Procurement

Budgetary comparisons are performed on a monthly basis. There is little excess on the budget, however, when a budget increase does occur, any expenses exceeding the proposed budget must be approved by the board.

The Chief Fiscal Officer and Senior Transportation Planner are responsible for all grant applications and compliance. The Agency has been successful in receiving federal grants on a regular basis. During the audit period, the Agency received a federal grant each year to offset operating costs. Claims for reimbursement are prepared and submitted timely. There is no indication that the Agency has ever been denied grant funding because of errors in the grant application process or had grants revoked.

Insurance requirements are placed on the transit provider (MV Transportation) who provides for liability coverage up to \$5 million. Evidence of coverage is provided to the transit manager by MV Transportation. These policies are periodically reviewed and evaluated.

The Agency follows strict procurement policies and procedures. The Executive Director or designee is authorized to award all supply, special services, and architectural and engineering contracts when the expenditure is below \$2,500. The Executive Director is authorized to award such contracts when the expenditure is between \$2,500 and \$10,000. For expenditures exceeding \$10,000, such contracts shall be awarded by the Board. Furthermore, such contracts need not be awarded by the Board where the entire contract amount is to be paid by a state or local entity or another joint powers agency. All purchases, regardless of the amounts, are considered within the availability of funds in the current budget.

All vehicles have lockboxes for collecting fares. Proper segregation of duties is maintained as drivers do not have keys to the lockboxes. The Agency tracks the fare revenues by route and by driver. Each driver independently is required to track the number of riders by type on a driver manifest. From this, the Agency can calculate what the farebox revenue for the day should be. Comparisons are made between this and the actual count made from the lockboxes. At the end of the shift, drivers return the farebox directly to the Agency and count the fare revenue with the Senior Transportation Planner or Chief Fiscal Officer. Any discrepancies are investigated. All deposits of fare revenue and pass sales are reconciled back to the deposits on a daily basis.

Payroll services for the drivers are provided by MV Transportation. Time sheets are verified by the Senior Transportation Planner and submitted to MV Transportation for payroll processing. All drivers submit their daily driver manifest with the fareboxes. The Senior Transportation Planner updates each driver's timesheet daily, based on the information from the driver manifest.

The Agency does a good job of managing its financial resources. The reporting system provides management with most of the information it needs to manage operations. Accounts payable are processed by the Chief Fiscal Officer and approved by the Executive Director.

During the audit period, no new construction occurred. However, the Agency's significant investments included a new bus and new bus shelters. Additionally, a reserve fund policy was adopted for future replacements or operational needs.

Marketing and Public Information

This functional area concerns the operator's marketing and public information effort and communication activities within its jurisdiction.

The Agency advertises its services both online and periodically on the local radio station to make its services known to the general public. Special newspaper and radio advertising are targeted prior to starting new routes or expanding existing routes.

The Agency also publishes and distributes rider's guides that provide information about services, schedules, and maps. It also provides phone numbers that possible riders can call for additional information. These are distributed at numerous locations including the transit center, all County and City facilities, community centers, senior centers and neighboring communities. Detailed route information can be obtained online at www.sagestage.com. The Agency has developed a marketing objective and strategies in order to obtain improved advertising and awareness within the community and surrounding area.

Agency staff is available to respond to telephone inquiries. The transit center accepts calls and complaints. All vehicles have complaint forms that can be completed and placed in a container on the bus. All buses have a phone number posted where passengers can call and communicate a problem. Performance and survey data are routinely collected and there have been marketing campaigns to promote ridership growth.

The Agency has indicated that public perception of the system is positive. This is also reflected by the fairly high farebox ratio that the system has maintained in comparison to other rural areas and systems.

Summary

Our audit found the Agency filled a range of regional roles and responsibilities and although challenged with limited resources, a struggling economy, and the complexities of providing public transit in a rural setting, the Agency remained focused on meeting the public's transportation needs. We have made recommendations we believe will assist the Agency in continuing to provide public transit in an efficient and effective manner.

Our audit found the Agency to be effectively and efficiently operating public transit services in a rural area. Routes provide mobility to its residents and it strives to satisfy unmet transit needs that are reasonable. The system provides good coverage linking communities and regions as well as linking with transit systems from other jurisdictions. Our recommendations are made as possible considerations for improvement and should be considered within the confines of limited funding resources. Overall, the Agency is doing an admirable job providing public transportation.

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Recommendations

1. The Agency correctly excludes lunch periods, rest breaks and standby time in their terminus city on intercity inter-city routes. However, the Agency does not exclude vehicle inspection/clean time and deadhead time. As noted above, Sage Stage first scheduled pickup/drop-offs are generally less than one half mile (or one minute) from the yard, although occasionally the local bus service will have the first pickup in the community of California Pines, which is a 20-minute drive. Overall, the time associated with deadhead travel and inspection/cleaning is relatively small compared to total vehicle service hours and will not significantly change performance measures calculated as part of this audit. It should also be noted that changing the vehicle hour/mile calculation process would require changing driver run sheets and re-training drivers. However, to be consistent with state regulations, the Agency is required to report vehicle service hours in accordance with the TDA definition. Similarly, vehicle service miles should not include mileage accrued during deadhead travel. If changing the reporting process proves too costly, the Agency's management could estimate the number of deadhead hours/miles each month based on driver run sheets and subtract this figure from vehicle service hours and miles reported to the State Controller.

Management Response: Implementation of new processes to exclude deadhead time is not cost effective considering the insignificant down time in relation to total time. Additionally, other processes are in place to measure deadhead time that can be evaluated when needed.