



Imperial County Transportation Commission (ICTC)  
Transportation Development Act (TDA)  
Triennial Performance Audit, FY 2019/20 - FY 2021/22  
of IVT - Access



FINAL REPORT  
JUNE 2023



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## Chapter 1 | Executive Summary

In late 2022, the Imperial County Transportation Commission (ICTC) selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the five transit operators to which it allocates State of California Transportation Development Act funding.

The California Public Utilities Code requires all recipients of Transit Development Act (TDA) Article 4 funding to undergo an independent performance audit on a three-year cycle in order to maintain funding eligibility. While not required, audits of Article 8 funding recipients are encouraged.

The Triennial Performance Audit is designed to be an independent and objective evaluation of IVT Access as a public transit operator, providing operator management with information on the economy, efficiency, and effectiveness of its programs across the prior three fiscal years. In addition to assuring legislative and governing bodies (as well as the public) that resources are being economically and efficiently utilized, the Triennial Performance Audit fulfills the requirement of PUC Section 99246(a) that the RTPA designate an entity other than itself to conduct a performance audit of the activities of each operator to which it allocates TDA funds.

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

- Fiscal Year 2019/20,
- Fiscal Year 2020/21, and
- Fiscal Year 2021/22.

IVT Access provides supplementary ADA paratransit service for persons with disabilities who cannot use the regular fixed-route bus system (Imperial Valley Transit). It is a curb-to-curb Dial-A-Ride service open to individuals who have completed a certification and eligibility process. The service operates within three-quarters of a mile of the IVT fixed-route service, mirroring the days and hours of operation of individual fixed-routes. (For example, if a route does not operate on the weekend, the IVT Access service will also not be available on the weekend.)

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

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

The Triennial Performance Audit includes five elements:

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

#### Test of Compliance

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

1. State Controller Reports were submitted after the stipulated deadline in FY 2020/21 and FY 2021/22.

#### Status of Prior Recommendations

The prior audit – completed in May 2020 by Moore & Associates, Inc. for the three fiscal years ending June 30, 2019 – included three recommendations:

1. [Ensure State Controller Reports are submitted in a timely manner.](#)  
**Status:** Not implemented.
2. [Ensure TDA fiscal audits of all IVT operations are completed no later than 270 days following the end of the fiscal year.](#)  
**Status:** Implemented.
3. [Identify supplemental local revenues that will bring the farebox recovery ratio up to at least 10 percent.](#)  
**Status:** Not implemented.

#### Findings and Recommendations

Based on discussions with IVT Access staff, analysis of program performance, and a review of program compliance and function, the audit team submits the aforementioned compliance finding for IVT Access:

1. State Controller Reports were submitted after the stipulated deadline in FY 2020/21 and FY 2021/22.

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

1. The TDA fiscal audit does not show how the farebox recovery ratio is calculated, only provides the actual ratio against the required ratio.
2. IVT Access is not on track to be in compliance with the farebox recovery requirement when the penalty waiver ends after FY 2022/23.



In completing this Triennial Performance Audit, the auditors submit the following recommendations for IVT Access’ public transit program. They have been divided into two categories: TDA Program compliance recommendations and functional recommendations. TDA program compliance recommendations are intended to assist in bringing the operator into compliance with the requirements and standards of the TDA, while Functional Recommendations address issues identified during the triennial audit that are not specific to TDA compliance.

**Exhibit 1.1 Summary of Audit Recommendations**

| TDA Compliance Recommendations |  | Importance | Timeline   |
|--------------------------------|--|------------|------------|
| 1                              | Ensure State Controller Reports are submitted in a timely manner.  | Medium     | Ongoing    |
| Functional Recommendations     |  | Importance | Timeline   |
| 1                              | Include a detailed breakdown of the farebox recovery ratio calculation in future TDA fiscal audits.        | Medium     | FY 2022/23 |
| 2                              | Identify strategies that will enable IVT Access to meet the 10 percent farebox recovery ratio requirement. | High       | FY 2023/24 |

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## Chapter 2 | Audit Scope and Methodology

The Triennial Performance Audit (TPA) of IVT Access' public transit program covers the three-year period ending June 30, 2022. The California Public Utilities Code requires all recipients of Transit Development Act (TDA) funding to complete an independent review on a three-year cycle in order to maintain funding eligibility.

In late 2022, the Imperial County Transportation Commission (ICTC) selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the five transit operators to which it allocates State of California TDA funding. Moore & Associates, Inc. is a consulting firm specializing in public transportation, including audits of non-TDA Article 4 recipients. Selection of Moore & Associates, Inc. followed a competitive procurement process.

The Triennial Performance Audit is designed to be an independent and objective evaluation of IVT Access as a public transit operator. Direct benefits of a Triennial Performance Audit include providing operator management with information on the economy, efficiency, and effectiveness of its programs across the prior three years; helpful insight for use in future planning; and assuring legislative and governing bodies (as well as the public) that resources are being economically and efficiently utilized. Finally, the Triennial Performance Audit fulfills the requirement of PUC Section 99246(a) that the RTPA designate an entity other than itself to conduct a performance audit of the activities of each operator to which it allocates funds.

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

The audit was also conducted in accordance with the processes established by the California Department of Transportation (Caltrans), as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, as well as *Government Audit Standards* published by the U.S. Comptroller General.

### Objectives

A Triennial Performance Audit (TPA) has four primary objectives:

1. Assess compliance with TDA regulations;
2. Review improvements subsequently implemented as well as progress toward adopted goals;
3. Evaluate the efficiency and effectiveness of the transit operator; and
4. Provide sound, constructive recommendations for improving the efficiency and functionality of the transit operator.

## Scope

The TPA is a systematic review of performance evaluating the efficiency, economy, and effectiveness of the transit operator. The audit of IVT Access included five tasks:

1. A review of compliance with TDA requirements and regulations.
2. A review of the status of recommendations included in the prior Triennial Performance Audit.
3. A verification of the methodology for calculating performance indicators including the following activities:
  - Assessment of internal controls,
  - Test of data collection methods,
  - Calculation of performance indicators, and
  - Evaluation of performance.
4. Comparison of data reporting practices:
  - Internal reports,
  - State Controller Reports, and
  - National Transit Database.
5. Examination of the following functions:
  - General management and organization;
  - Service planning;
  - Scheduling, dispatching, and operations;
  - Personnel management and training;
  - Administration;
  - Marketing and public information; and
  - Fleet maintenance.
6. Conclusions and recommendations to address opportunities for improvement based upon analysis of the information collected and the audit of the transit operator's major functions.

## Methodology

The methodology for the Triennial Performance Audit of IVT Access included thorough review of documents relevant to the scope of the audit, as well as information contained on the IVT Access website. The documents reviewed included the following (spanning the full three-year period):

- Monthly performance reports;
- State Controller Reports;
- Annual budgets;
- TDA fiscal audits;
- Transit marketing collateral;
- TDA claims;
- Fleet inventory;
- Preventive maintenance schedules and forms;
- California Highway Patrol Terminal Inspection reports;
- National Transit Database reports;

- Accident/road call logs; and
- Organizational chart.

Given impacts of the ongoing COVID-19 pandemic, the methodology for this audit included a virtual site visit with IVT representatives on February 27, 2023. The audit team met with Cesar Sanchez (General Manager, First Transit), Karla Pacheco (Operations Manager, First Transit), Mike Cortez (Safety and Training Manager, First Transit), and Rogelio Hernandez (Maintenance Manager, First Transit), and reviewed materials germane to the triennial audit.

This report is comprised of eight chapters divided into three sections:

1. Executive Summary: A summary of the key findings and recommendations developed during the Triennial Performance Audit process.
2. TPA Scope and Methodology: Methodology of the review and pertinent background information.
3. TPA Results: In-depth discussion of findings surrounding each of the subsequent elements of the audit:
  - Compliance with statutory and regulatory requirements,
  - Status of prior recommendations,
  - Consistency among reported data,
  - Performance measures and trends,
  - Functional audit, and
  - Findings and recommendations.

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## Chapter 3 | Program Compliance

This section examines IVT Access' compliance with the Transportation Development Act as well as relevant sections of the California Code of Regulations. An annual certified fiscal audit confirms TDA funds were apportioned in conformance with applicable laws, rules, and regulations. IVT Access considers full use of funds under California Code of Regulations (CCR) 6754(a) as referring to operating funds but not capital funds. The TPA findings and related comments are delineated in Exhibit 3.1.

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

One compliance issue was identified for IVT Access:

1. State Controller Reports were submitted after the stipulated deadline in FY 2020/21 and FY 2021/22.

### Developments Occurring During the Audit Period

The FY 2019/20 – FY 2021/22 audit period was significantly different than prior audit periods. The impacts of the COVID-19 pandemic resulted in significant declines in ridership and revenue, while changes to the TDA provided compliance waivers and amended existing legislation. In many instances, transit operators strove to retain operations staff despite adopting a reduced schedule, resulting in significant changes to many cost-related performance metrics. While infusions of funding through the CARES Act mitigated some of the lost revenues for federally funded programs, many transit operators have yet to return to pre-pandemic ridership and fare levels. As a result, this Triennial Performance Audit will provide an assessment not only of how the COVID-19 pandemic impacted the organization, but how it responded to the crisis.

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

Assembly Bill 90, signed into law on June 29, 2020, provides temporary regulatory relief for transit operators required to conform with Transportation Development Act (TDA) farebox recovery ratio thresholds in FY 2019/20 and FY 2020/21. Assembly Bill 149, signed into law on July 16, 2021, provides additional regulatory relief by extending the provisions of AB 90 through FY 2022/23 and adjusting definitions of eligible revenues and operating costs. While the ability to maintain state mandates and performance measures is important, these measures enable transit operators to adjust to the impacts of COVID while continuing to receive their full allocations of funding under the TDA.

Together, these two pieces of legislation include the following provisions specific to transit operator TDA funding under Article 4 and Article 8:

1. Prohibits the imposition of the TDA revenue penalty on an operator that did not maintain the required ratio of fare revenues to operating cost from FY 2019/20 through FY 2022/23.
2. Waives the annual productivity improvement requirement of Section 99244 through FY 2022/23.
3. Adds a temporary provision exempting operators from farebox recovery ratio requirements through FY 2024/25 provided they expend at least the same amount of local funds as in FY 2018/19.
4. Expands the definition of “local funds” to enable the use of federal funding, such as the CARES Act or CRRSAA, to supplement fare revenues and allows operators to calculate free and reduced fares at their actual value.
5. Adjusts the definition of operating cost to exclude the cost of ADA paratransit services, demand-response and micro-transit services designed to extend access to service, ticketing/payment systems, security, some pension costs, and some planning costs.
6. Requires the Controller to calculate and publish the allocation of transit operator revenue-based funds made pursuant to the State Transit Assistance (STA) Program for FY 2020/21 and FY 2021/22.
7. Allows operators to use STA funds as needed to keep transit service levels from being reduced or eliminated through FY 2022/23.

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



Exhibit 3.1 Transit Development Act Compliance Requirements

| Compliance Element   | Reference                           | Compliance     | Comments  |
|--|-------------------------------------|----------------|---|
| State Controller Reports submitted on time.  | PUC 99243                           | Finding        | FY 2019/20: February 1, 2021<br>FY 2020/21: February 22, 2022<br>FY 2021/22: February 14, 2023  |
| Fiscal and compliance audits submitted within 180 days following the end of the fiscal year (or with up to 90-day extension).  | PUC 99245                           | In compliance  | FY 2019/20: December 30, 2020<br>FY 2020/21: March 23, 2022<br>FY 2021/22: March 22, 2023   |
| Operator's terminal rated as satisfactory by CHP within the 13 months prior to each TDA claim.   | PUC 99251 B                         | In compliance  | October 9, 2018<br>October 2, 2019<br>September 29, 2020<br>August 18, 2021<br>July 26, 2022  |
| Operator's claim for TDA funds submitted in compliance with rules and regulations adopted by the RTPA.   | PUC 99261                           | In compliance  |   |
| If operator serves urbanized and non-urbanized areas, it has maintained a ratio of fare revenues to operating costs at least equal to the ratio determined by the rules and regulations adopted by the RTPA.   | PUC 99270.1                         | Not applicable |   |
| Except as otherwise provided, the allocation for any purpose specified under Article 8 may in no year exceed 50% of the amount required to meet the total planning expenditures for that purpose.  | PUC 99405                           | Not applicable |   |
| An operator receiving allocations under Article 8(c) may be subject to regional, countywide, or subarea performance criteria, local match requirements, or fare recovery ratios adopted by resolution of the RTPA.   | PUC 99405                           | In compliance  | While the operator receives Article 8(c) funds, it is not subject to alternative performance criteria.  |
| The operator's operating budget has not increased by more than 15% over the preceding year, nor is there a substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities unless the operator has reasonably supported and substantiated the change(s). | PUC 99266                           | In compliance  | FY 2019/20: +2.97%<br>FY 2020/21: -7.94%<br>FY 2021/22: Not claimed<br><br><i>Source: TDA claims, FY 2020 – FY 2021. No LTF funds were claimed for Access in FY 2022.</i> |
| The operator's definitions of performance measures are consistent with the Public Utilities Code Section 99247.  | PUC 99247                           | In compliance  |   |
| If the operator serves an urbanized area, it has maintained a ratio of fare revenues to operating cost at least equal to one-fifth (20 percent).   | PUC 99268.2,<br>99268.4,<br>99268.1 | Not applicable |   |

| Compliance Element   | Reference                           | Compliance     | Comments  |
|--|-------------------------------------|----------------|---|
| If the operator serves a rural area, it has maintained a ratio of fare revenues to operating cost at least equal to one-tenth (10 percent).  | PUC 99268.2,<br>99268.4,<br>99268.5 | Not applicable |   |
| For a claimant that provides only services to elderly and handicapped persons, the ratio of fare revenues to operating cost shall be at least 10 percent.  | PUC 99268.5,<br>CCR 6633.5          | In compliance  | FY 2019/20: 3.64%<br>FY 2020/21: 1.77%<br>FY 2021/22: 1.77%<br><br><i>IVT Access has a farebox recovery ratio requirement of 10 percent. Penalties were waived for all years due to AB 90 and AB 149.</i>       |
| The current cost of the operator’s retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing a plan approved by the RTPA, which will fully fund the retirement system for 40 years.  | PUC 99271                           | In compliance  | ICTC contracts with a private provider for operations, while ICTC employees are covered under the Imperial County Employees’ Retirement System (ICERS) pursuant to the County Employees Retirement Law of 1937. |
| If the operator receives State Transit Assistance funds, the operator makes full use of funds available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted.   | CCR 6754 (a) (3)                    | In compliance  |   |
| In order to use State Transit Assistance funds for operating assistance, the operator’s total operating cost per revenue hour does not exceed the sum of the preceding year’s total plus an amount equal to the product of the percentage change in the CPI for the same period multiplied by the preceding year’s total operating cost per revenue hour. An operator may qualify based on the preceding year’s operating cost per revenue hour or the average of the three prior years. If an operator does not meet these qualifying tests, the operator may only use STA funds for operating purposes according to a sliding scale. | PUC 99314.6                         | In compliance  |   |

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

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## Chapter 4 | Prior Recommendations

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

The prior audit – completed in May 2020 by Moore & Associates, Inc. for the three fiscal years ending June 30, 2019 – included three recommendations:

1. [Ensure State Controller Reports are submitted in a timely manner.](#)

**Discussion:** Submittal of the State Controller Report is the responsibility of the ICTC. In FY 2016/17, the report was submitted on March 16, 2018, approximately six weeks following the deadline. In FY 2017/18, the report was submitted on March 27, 2019, approximately eight weeks following the deadline. In FY 2018/19, the timeliness had improved, though the report was still submitted on February 14, 2020, two weeks after the deadline. The prior auditor recommended the ICTC take whatever actions were necessary to ensure an on-time submittal of the State Controller Reports. This could require working with other entities to adjust other submittal deadlines to ensure audited data is available.

**Progress:** While the FY 2019/20 report was submitted on time, subsequent reports have been submitted late. The FY 2020/21 report was submitted on February 22, 2022, approximately three weeks late, while the FY 2021/22 report was submitted on February 14, 2023, approximately two weeks late.

**Status:** Not implemented.

2. [Ensure TDA fiscal audits of all IVT operations are completed no later than 270 days following the end of the fiscal year.](#)

**Discussion:** The ICTC includes all TDA funds (RTPA and operator) in a combined fiscal audit. The ICTC's FY 2017/18 TDA fiscal audit was submitted in July 2019, approximately three months after the allowable 90-day extension. At the time of preparation of the prior audit, completion of the FY 2018/19 TDA fiscal audit was still pending. The prior auditor recommended ICTC work with its TDA fiscal auditor to ensure the operator audits for which it is responsible (i.e., IVT, IVT Ride, IVT Access, and IVT MedTrans) are completed no later than 270 days following the end of the fiscal year.

**Progress:** This appears to have been resolved. All audits were submitted on time.

**Status:** Implemented.

3. Identify supplemental local revenues that will bring the farebox recovery ratio up to at least 10 percent.

**Discussion:** IVT Access is required to meet a farebox recovery ratio threshold of 10 percent. However, actual farebox recovery ratios achieved during the prior audit period ranged from 4.46 percent to 4.71 percent.

IVT Access' ability to increase fares is limited by the fares charged for fixed-route service (as the ADA complementary paratransit service cannot charge more than twice the base fixed-route fare). Therefore, two options remained: to decrease operating cost or increase farebox revenues. Given operating cost experienced a decrease during the current audit period, the prior auditor found it unlikely IVT Access would be able to reduce its costs significantly enough to substantially increase the farebox recovery ratio. In addition, as a demand-response service where operating costs increase in line with the number of trips provided, IVT Access was not likely to enhance its farebox recovery ratio by growing its ridership. Therefore, the auditor noted it was vital the ICTC and IVT Access increase fare revenues by identifying local revenue sources that can be used to supplement the farebox recovery ratio.

**Progress:** No action has been taken, due in part to the penalty waivers set forth in AB 90 and AB 149.

**Status:** Not implemented.

## Chapter 5 | Data Reporting Analysis

An important aspect of the Triennial Performance Audit process is assessing how effectively and consistently the transit operator reports performance statistics to local, state, and federal agencies. Often as a condition of receipt of funding, an operator must collect, manage, and report data to different entities. Ensuring such data are consistent can be challenging given the differing definitions employed by different agencies as well as the varying reporting timeframes. This chapter examines the consistency of performance data reported by IVT Access both internally as well as to outside entities during the audit period.

IVT Access is not reported separately on any external reports. Therefore, no data comparison can be provided.

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## Chapter 6 | Performance Analysis

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

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

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

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

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

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

### Operating Cost

The Transportation Development Act requires an operator to track and report transit-related costs reflective of the Uniform System of Accounts and Records developed by the State Controller and the California Department of Transportation. The most common method for ensuring this occurs is through a compliance audit report prepared by an independent auditor in accordance with California Code of Regulations Section 6667<sup>1</sup>. The annual independent financial audit should confirm the use of the Uniform System of Accounts and Records. *Operating cost* – as defined by PUC Section 99247(a) – excluded the following during the audit period<sup>2</sup>:

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<sup>1</sup> CCR Section 6667 outlines the minimum tasks which must be performed by an independent auditor in conducting the annual fiscal and compliance audit of the transit operator.

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

- Cost in the depreciation and amortization expense object class adopted by the State Controller pursuant to PUC Section 99243,
- Subsidies for commuter rail services operated under the jurisdiction of the Interstate Commerce Commission,
- Direct costs of providing charter service, and
- Vehicle lease costs.

#### Vehicle Service Hours and Miles

*Vehicle Service Hours* (VSH) and *Miles* (VSM) are defined as the time/distance during which a revenue vehicle is available to carry fare-paying passengers, and which includes only those times/miles between the time or scheduled time of the first passenger pickup and the time or scheduled time of the last passenger drop-off during a period of the vehicle's continuous availability.<sup>3</sup> For example, demand-response service hours include those hours when a vehicle has dropped off a passenger and is traveling to pick up another passenger, but not those hours when the vehicle is unavailable for service due to driver breaks or lunch. For both demand-response and fixed-route services, service hours will exclude hours of "deadhead" travel to the first scheduled pick-up, and will also exclude hours of "deadhead" travel from the last scheduled drop-off back to the terminal. For fixed-route service, a vehicle is in service from first scheduled stop to last scheduled stop, whether or not passengers board or exit at those points (i.e., subtracting driver lunch and breaks but including scheduled layovers).

#### Passenger Counts

According to the Transportation Development Act, *total passengers* is equal to the total number of unlinked trips (i.e., those trips that are made by a passenger that involve a single boarding and departure), whether revenue-producing or not.

#### Employees

*Employee hours* is defined as the total number of hours (regular or overtime) which all employees have worked, and for which they have been paid a wage or salary. The hours must include transportation system-related hours worked by persons employed in connection with the system (whether or not the person is employed directly by the operator). Full-Time Equivalent (FTE) is calculated by dividing the number of person-hours by 2,000.

#### Fare Revenue

*Fare revenue* is defined by California Code of Regulations Section 6611.2 as revenue collected from the farebox plus sales of fare media.

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<sup>3</sup> A vehicle is considered to be in revenue service despite a no-show or late cancellation if the vehicle remains available for passenger use.

### TDA Required Indicators

To calculate the TDA indicators for IVT Access the following sources were employed:

- Operating Cost was not independently calculated as part of this audit. Operating Cost data were obtained via monthly operator summaries for each fiscal year covered by this audit and appeared to be consistent with TDA guidelines. In accordance with PUC Section 99247(a), the reported costs excluded depreciation and other allowable expenses.
- Fare Revenue was not independently calculated as part of this audit. Fare revenue data were obtained via monthly operator summaries for each fiscal year covered by this audit. This appears to be consistent with TDA guidelines as well as the uniform system of accounts.
- Vehicle Service Hours (VSH) data were obtained via monthly operator summaries for each fiscal year covered by this audit. The calculation methodology is consistent with PUC guidelines.
- Vehicle Service Miles (VSM) data were obtained via monthly operator summaries for each fiscal year covered by this audit. The calculation methodology is consistent with PUC guidelines.
- Unlinked trip data were obtained via monthly operator summaries for each fiscal year covered by this audit. The calculation methodology is consistent with PUC guidelines.
- Full-Time Equivalent (FTE) data were obtained from monthly operator summaries for each fiscal year covered by this review. Use of the TDA definition regarding FTE calculation was confirmed.

### System Performance Trends

System-wide, operating cost experienced a net 12.8 percent decrease during the audit period, and a 25.9 percent net decrease across the last six years. Fare revenue significantly decreased during the six-year period, with most of the decline (68 percent) occurring in FY 2020/21 due to COVID. This resulted in a net 52.2 percent decrease during the audit period.

Vehicle service hours (VSH) declined every year with the exception of FY 2021/22. This resulted in a net 41.5 percent decrease during the audit period and a net 59 percent decrease during the six-year period. Vehicle service miles (VSM) experienced the same pattern. This resulted in an overall net decrease of 45.7 percent during the audit period and 64.2 percent over the six-year period. Ridership experienced the same pattern as VSH and VSM, though the most significant declines did not occur until FY 2019/20 and FY 2020/21 in response to the COVID-19 pandemic. This led to a 51.3 percent net decrease during the audit period and a 70.3 percent net decrease across the six-year period.

Cost-related metrics typically provide an indicator of a system's efficiency, while passenger-related metrics offer insight into its productivity. Improvements are characterized by increases in passenger-related metrics and decreases in cost-related metrics. Despite decreases in operating cost during the audit period, cost-related metrics increased due to corresponding decreases in other performance measures. Operating cost per passenger was impacted the most, given the 51.3 percent decrease in ridership during the audit period. Passenger-related metrics fell during the audit period, with passengers per VSH decreasing by 16.8 percent and passengers per VSM decreasing by 10.2 percent.

Exhibit 6.1 System Performance Indicators

| Performance Measure                         | IVT Access  |             |             |             |            |             |
|---|-------------|-------------|-------------|-------------|------------|-------------|
|   | FY 2016/17  | FY 2017/18  | FY 2018/19  | FY 2019/20  | FY 2020/21 | FY 2021/22  |
| <b>Operating Cost (Actual \$)</b>           | \$1,457,672 | \$1,415,399 | \$1,419,238 | \$1,239,606 | \$840,945  | \$1,080,512 |
| <i>Annual Change</i>                        |             | -2.9%       | 0.3%        | -12.7%      | -32.2%     | 28.5%       |
| <b>Fare Revenue (Actual \$)</b>             | \$68,684    | \$63,138    | \$64,501    | \$44,679    | \$14,317   | \$21,376    |
| <i>Annual Change</i>                        |             | -8.1%       | 2.2%        | -30.7%      | -68.0%     | 49.3%       |
| <b>Vehicle Service Hours (VSH)</b>          | 15,593      | 14,428      | 13,736      | 10,916      | 3,731      | 6,388       |
| <i>Annual Change</i>                        |             | -7.5%       | -4.8%       | -20.5%      | -65.8%     | 71.2%       |
| <b>Vehicle Service Miles (VSM)</b>          | 306,772     | 289,552     | 280,128     | 202,427     | 73,372     | 109,817     |
| <i>Annual Change</i>                        |             | -5.6%       | -3.3%       | -27.7%      | -63.8%     | 49.7%       |
| <b>Passengers</b>                           | 32,882      | 32,124      | 30,229      | 20,042      | 5,145      | 9,761       |
| <i>Annual Change</i>                        |             | -2.3%       | -5.9%       | -33.7%      | -74.3%     | 89.7%       |
| <b>Employees</b>                            | 17          | 17          | 17          | 15          | 9          | 10          |
| <i>Annual Change</i>                        |             | 0.0%        | 0.0%        | -11.8%      | -40.0%     | 11.1%       |
| <b>Performance Indicators</b>               |             |             |             |             |            |             |
| <b>Operating Cost/VSH (Actual \$)</b>       | \$93.48     | \$98.10     | \$103.32    | \$113.56    | \$225.40   | \$169.15    |
| <i>Annual Change</i>                        |             | 4.9%        | 5.3%        | 9.9%        | 98.5%      | -25.0%      |
| <b>Operating Cost/Passenger (Actual \$)</b> | \$44.33     | \$44.06     | \$46.95     | \$61.85     | \$163.45   | \$110.70    |
| <i>Annual Change</i>                        |             | -0.6%       | 6.6%        | 31.7%       | 164.3%     | -32.3%      |
| <b>Passengers/VSH</b>                       | 2.11        | 2.23        | 2.20        | 1.84        | 1.38       | 1.53        |
| <i>Annual Change</i>                        |             | 5.6%        | -1.2%       | -16.6%      | -24.9%     | 10.8%       |
| <b>Passengers/VSM</b>                       | 0.11        | 0.11        | 0.11        | 0.10        | 0.07       | 0.09        |
| <i>Annual Change</i>                        |             | 3.5%        | -2.7%       | -8.3%       | -29.2%     | 26.8%       |
| <b>Farebox Recovery</b>                     | 4.7%        | 4.5%        | 4.5%        | 3.6%        | 1.7%       | 2.0%        |
| <i>Annual Change</i>                        |             | -5.3%       | 1.9%        | -20.7%      | -52.8%     | 16.2%       |
| <b>Hours/Employee</b>                       | 917.2       | 848.7       | 808.0       | 727.7       | 414.5      | 638.8       |
| <i>Annual Change</i>                        |             | -7.5%       | -4.8%       | -9.9%       | -43.0%     | 54.1%       |
| <b>TDA Non-Required Indicators</b>          |             |             |             |             |            |             |
| <b>Operating Cost/VSM</b>                   | \$4.75      | \$4.89      | \$5.07      | \$6.12      | \$11.46    | \$9.84      |
| <i>Annual Change</i>                        |             | 2.9%        | 3.6%        | 20.9%       | 87.2%      | -14.2%      |
| <b>VSM/VSH</b>                              | 19.67       | 20.07       | 20.39       | 18.54       | 19.67      | 17.19       |
| <i>Annual Change</i>                        |             | 2.0%        | 1.6%        | -9.1%       | 6.0%       | -12.6%      |
| <b>Fare/Passenger</b>                       | \$2.09      | \$1.97      | \$2.13      | \$2.23      | \$2.78     | \$2.19      |
| <i>Annual Change</i>                        |             | -5.9%       | 8.6%        | 4.5%        | 24.8%      | -21.3%      |

Sources: FY 2016/17 – FY 2018/19 data from prior Triennial Performance Audit.  
FY 2019/20 – FY 2021/22 data from operator monthly summaries. FY 2019/20 – FY 2021/22 FTE data from operator monthly summaries does not include ICTC staff time.

Exhibit 6.2 System Ridership

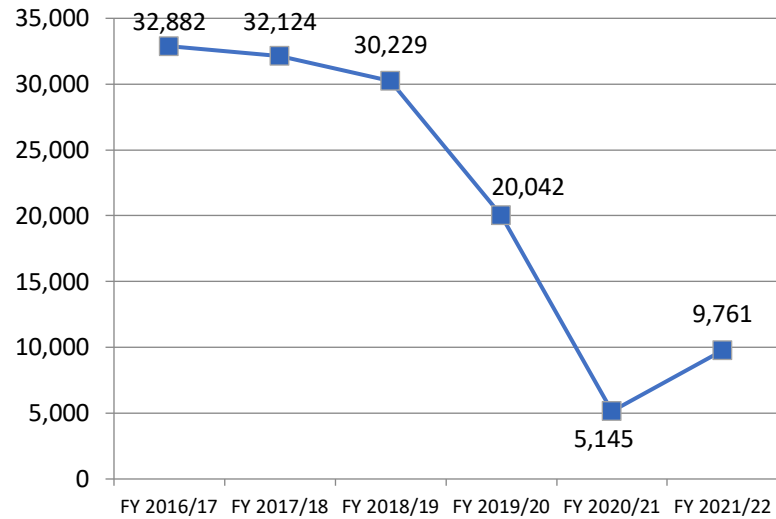


Exhibit 6.3 System Operating Cost/VSH

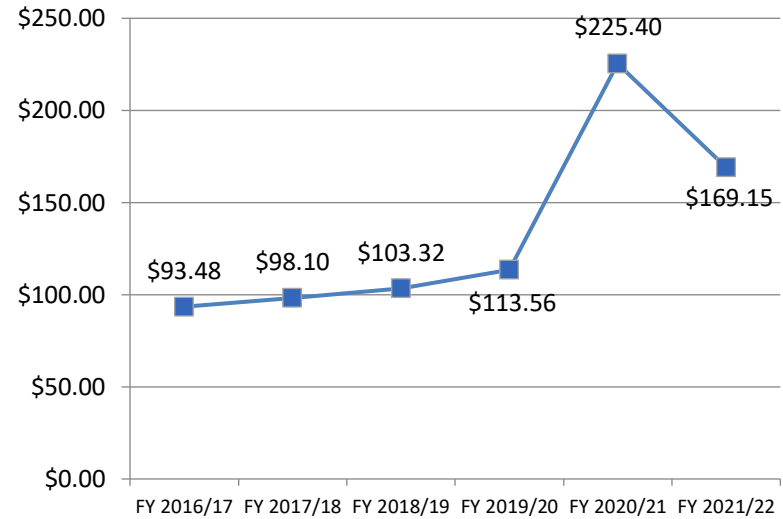


Exhibit 6.4 System Operating Cost/VSM

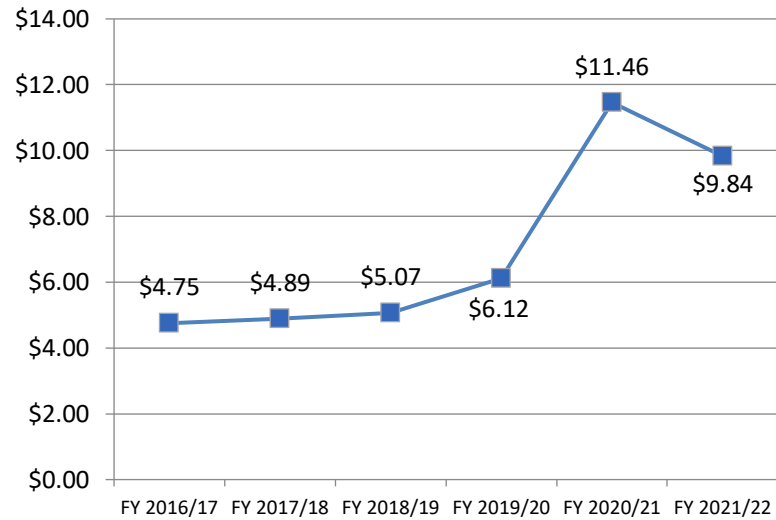


Exhibit 6.5 System VSM/VSH

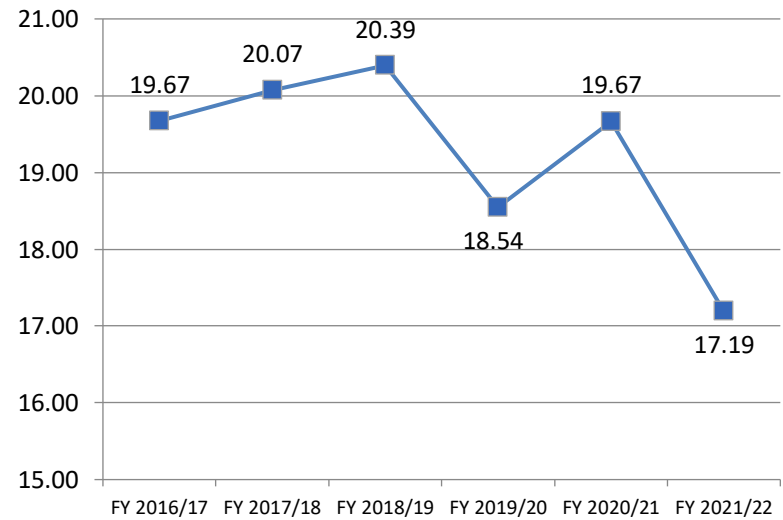


Exhibit 6.6 System Operating Cost/Passenger

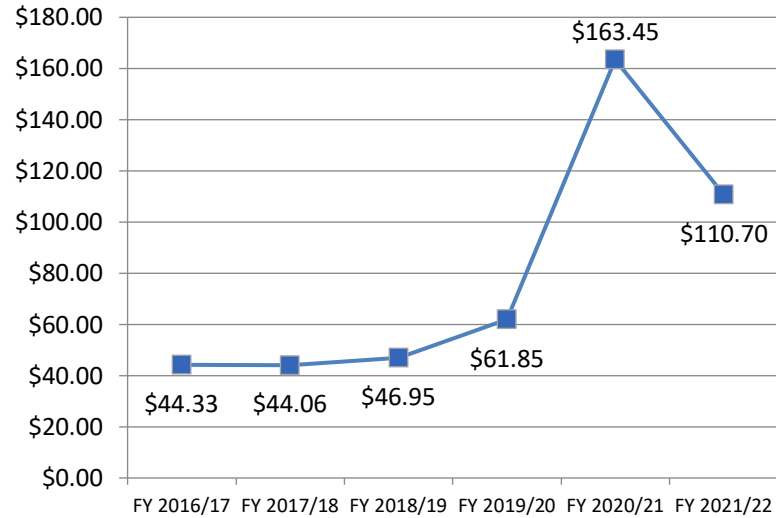


Exhibit 6.7 System Passengers/VSH

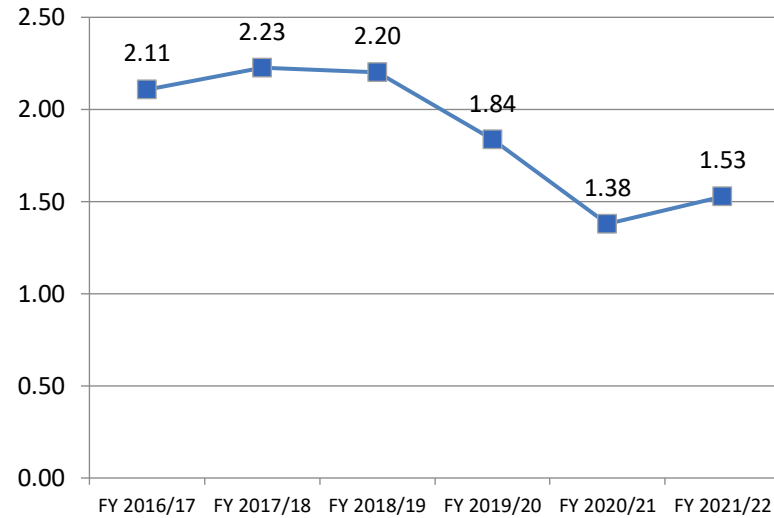


Exhibit 6.8 System Passengers/VSM

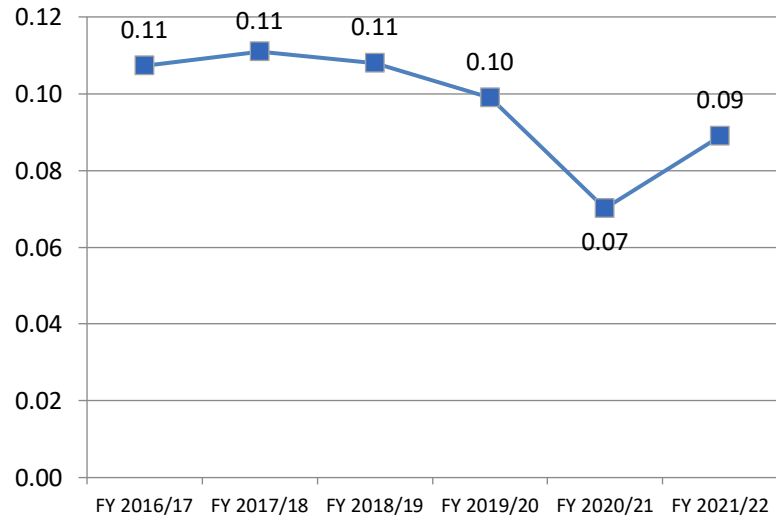


Exhibit 6.9 System VSH/FTE

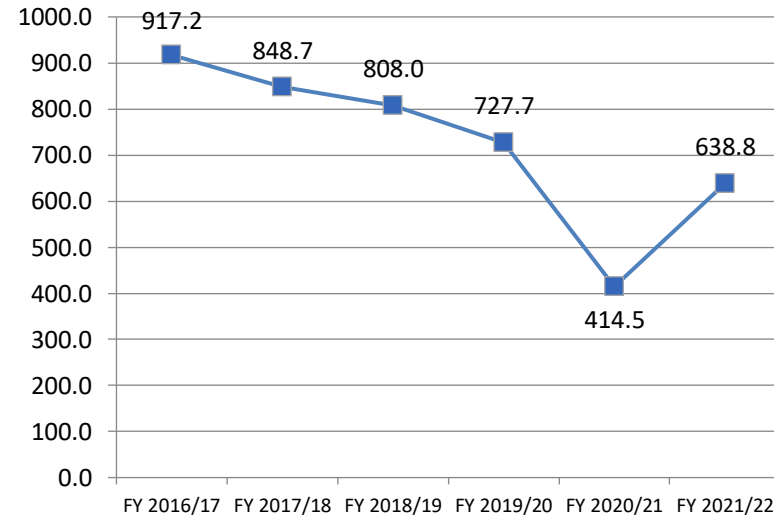


Exhibit 6.10 System Farebox Recovery

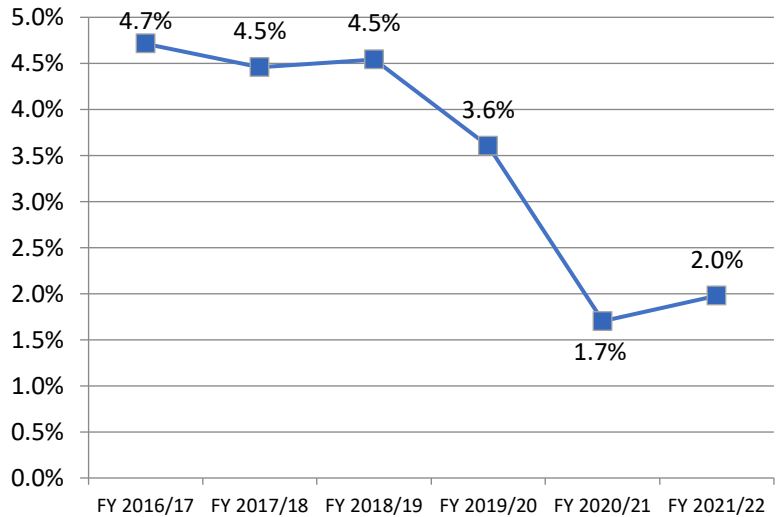
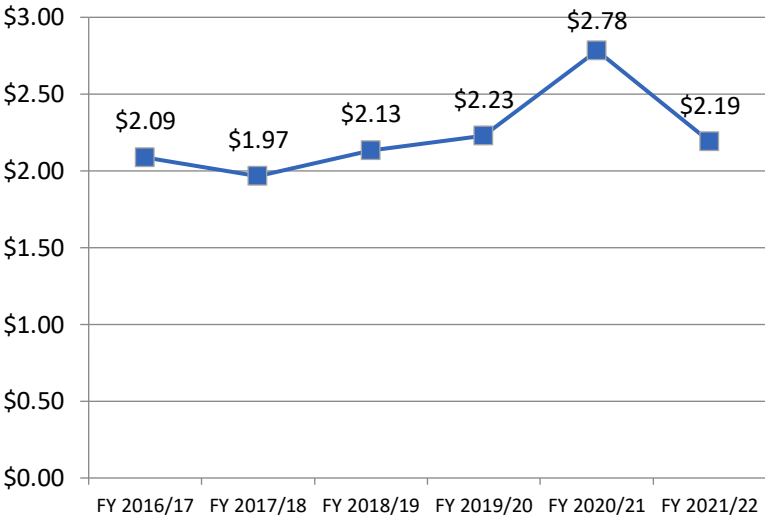


Exhibit 6.11 System Fare/Passenger



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## Chapter 7 | Functional Review

A functional review of IVT Access’ public transit program is intended to assess the effectiveness and efficiency of the operator. Following a general summary of the IVT Access service, this chapter addresses seven functional areas. The list, taken from Section III of the *Performance Audit Guidebook* published by Caltrans, reflects those transit services provided by IVT Access:

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

### Service Overview

IVT Access provides supplementary ADA paratransit service for persons with disabilities who cannot use the regular fixed-route bus system (Imperial Valley Transit). It is a curb-to-curb Dial-A-Ride service open to individuals who have completed a certification and eligibility process. The service operates within three-quarters of a mile of the IVT fixed-route service, mirroring the days and hours of operation of individual fixed-routes. (For example, if a route does not operate on the weekend, IVT Access service will not be available on the weekend.)

IVT Access fares are distance-based, ranging from \$2.00 to \$2.50 for ADA-certified riders. As allowed under the ADA, this is twice the local and regional fixed-route fares (\$1.00 and \$1.25, respectively). The fare for non-ADA riders is one-and-a-half times the ADA fare (i.e., \$3.00 and \$3.75). Riders may bring a companion who pays the same fare.

Exhibit 7.1 IVT Access Fare Structure

|             | Niland | Calipatria | Westmorland | Brawley | Imperial | IVC    | El Centro | Heber  | Calxico | Holtville | Seeley |
|-------------|--------|------------|-------------|---------|----------|--------|-----------|--------|---------|-----------|--------|
| Niland      | --     | \$2.00     | \$2.50      | \$2.50  | \$2.50   | \$2.50 | \$2.50    | \$2.50 | \$2.50  | \$2.50    | \$2.50 |
| Calipatria  | \$2.00 | --         | \$2.50      | \$2.50  | \$2.50   | \$2.50 | \$2.50    | \$2.50 | \$2.50  | \$2.50    | \$2.50 |
| Westmorland | \$2.50 | \$2.50     | --          | \$2.00  | \$2.50   | \$2.50 | \$2.50    | \$2.50 | \$2.50  | \$2.50    | \$2.50 |
| Brawley     | \$2.50 | \$2.50     | \$2.00      | --      | \$2.50   | \$2.50 | \$2.50    | \$2.50 | \$2.50  | \$2.50    | \$2.50 |
| Imperial    | \$2.50 | \$2.50     | \$2.50      | \$2.50  | --       | \$2.00 | \$2.00    | \$2.50 | \$2.50  | \$2.50    | \$2.00 |
| IVC         | \$2.50 | \$2.50     | \$2.50      | \$2.50  | \$2.00   | --     | \$2.00    | \$2.00 | \$2.50  | \$2.50    | \$2.00 |
| El Centro   | \$2.50 | \$2.50     | \$2.50      | \$2.50  | \$2.00   | \$2.00 | --        | \$2.00 | \$2.50  | \$2.50    | \$2.00 |
| Heber       | \$2.50 | \$2.50     | \$2.50      | \$2.50  | \$2.00   | \$2.00 | \$2.00    | --     | \$2.00  | \$2.50    | \$2.00 |
| Calxico     | \$2.50 | \$2.50     | \$2.50      | \$2.50  | \$2.50   | \$2.50 | \$2.50    | \$2.00 | --      | \$2.50    | \$2.50 |
| Holtville   | \$2.50 | \$2.50     | \$2.50      | \$2.50  | \$2.50   | \$2.50 | \$2.50    | \$2.50 | \$2.50  | --        | \$2.50 |
| Seeley      | \$2.50 | \$2.50     | \$2.50      | \$2.50  | \$2.50   | \$2.50 | \$2.00    | \$2.00 | \$2.50  | \$2.50    | --     |

ICTC received a grant that allowed it to offer free fares on the IVT Access service for nearly two years, from August 2020 through July 2022. At that time the service reverted to its regular fares.

#### Response to COVID-19 pandemic

In response to COVID-19, the number of buses in service was reduced from eight to only four or five in operation at a time due to a drop in demand. Ridership declined due to senior centers and adult day care centers being closed. Masks were required, seats were blocked off to facilitate social distancing, and cleaning practices were enhanced. Only two passengers or two wheelchairs were transported at a time to allow for social distancing. This did not actually affect capacity given the dramatic reduction in demand.

There were occasions where a COVID-positive passenger needed to be transported. In such cases, the passenger would be transported alone on the vehicle, and the vehicle would return to the yard for disinfecting after the passenger was dropped off.

IVT Access is currently monitoring service as it returns to normal to see if there is an increase in demand.

#### General Management and Organization

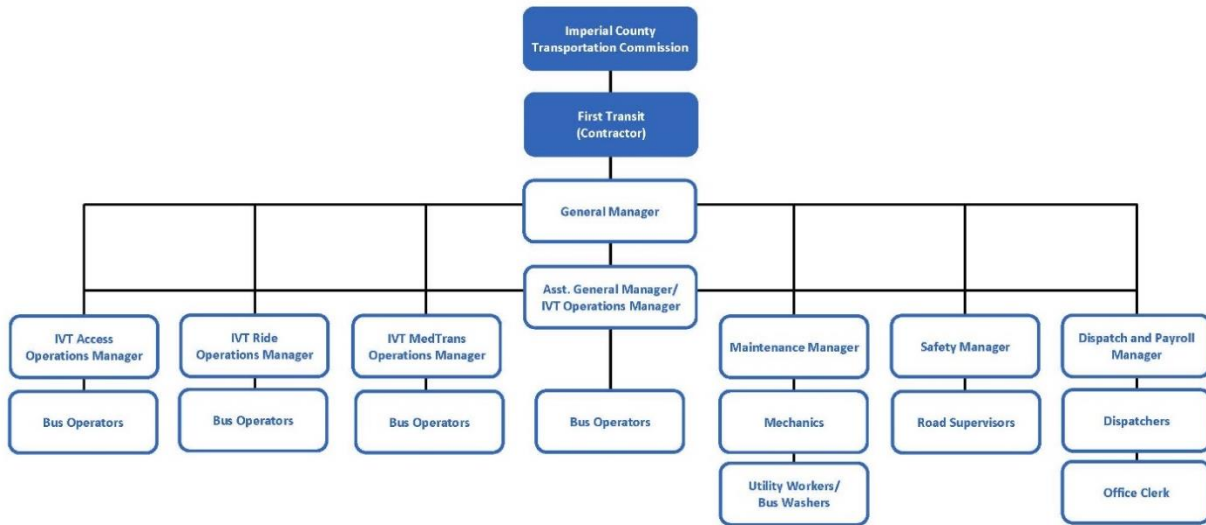
All Imperial Valley Transit operations (fixed-route and demand-response) are contracted to First Transit under four separate contracts. The current contracts extend through FY 2023/24. First Transit operates the IVT programs with a great deal of autonomy. An operations manager oversees each individual service, with the general manager overseeing the entire transit operation. Daily monitoring includes reviewing reports, spreadsheets, on-time performance, miles, revenue, and ridership. Managers regularly conduct road observations, time checks, and ride-alongs.

Contract management is provided by the Imperial County Transit Commission (ICTC). While there is daily communication with First Transit, a formal report is submitted with the monthly invoice. The ICTC also holds quarterly meetings with the contractor. The ICTC would benefit from additional staff for transit oversight and is in the process of backfilling several positions left vacant by recent staffing changes.

The Imperial Valley Transportation Commission is the governing body for Imperial Valley Transit. ICTC staff take transit information to the Board on an as-needed basis, such as when there are significant modifications or major projects. While the Board does not get very involved in the day-to-day operation of the transit program, there is a new Board member that has expressed a strong interest in how transit impacts the area they represent. Members of the Board ask questions during meetings, including about areas where ridership is low or where there is perceived demand.

First Transit's Imperial Valley Transit organizational chart is illustrated in Exhibit 7.2.

Exhibit 7.2 Organizational Chart



### Service Planning

All service planning is undertaken by the Imperial County Transportation Commission. The most recent Short Range Transit Plan for Imperial County was completed in January 2019. The next SRTP update is scheduled for 2024. First Transit staff noted the ICTC is diligent about seeking feedback from the contractor while considering any changes to the service.

The ICTC is currently in the process of conducting rider surveys as part of its Unmet Transit Needs process. Public participation activities are undertaken any time there are changes to service or when projects are rolled out. Recently, four public meetings were conducted as part of the ICTC’s Long Range Transportation Plan with four additional meetings planned.

### Administration

Budgeting for transit is a cooperative process. First Transit develops its budget based on its contract for each service with the ICTC. Each contract stipulates billing rates and revenue hour constraints. Once the ICTC has the contractor costs, staff review anticipated state and federal revenues and break down expenses, anticipated planning, contingencies, and vehicle needs for the year, then build the transit budget. The transit budget is incorporated into the agency budget for the year, which is approved by the ICTC Board.

The ICTC is responsible for applying for and managing all grants. In addition to the First Transit contracts, the ICTC also manages a contract with Via for a demonstration micro-transit project. First Transit provides insurance and handles all claims. Imperial County provides legal services and internal auditing.

First Transit handles its own payroll through an outside service. Most vendor checks related to transit service are issued by First Transit. Other vendor checks are issued by the ICTC, depending on the purchase.

All procurement practices conform with FTA and state requirements. The ICTC completed some updates to its procurement manual during its prior FTA Triennial Review, and will make additional updates should any issues be identified by the FTA during the current Triennial Review.

### Marketing and Public Information

Marketing responsibilities are shared between the ICTC and First Transit. The ICTC maintains the transit websites and provides service brochures, while First Transit attends events and provides information. ICTC staff may also attend events, and the ICTC provides mobility training to seniors. The ICTC utilizes a consultant for its marketing. ICTC staff coordinate with the marketing consultant, while First Transit provides input as to what needs to be ordered. The ICTC's budget for marketing is separate from its operations contract.

Customer service calls are logged and a monthly report is provided to the ICTC. Fixed-route calls are not tracked by the type of call. Complaints received through the ICTC are forwarded to First Transit. Valid complaints are forwarded to the operations manager of the individual service for investigation, and can be escalated to the general manager if necessary. A form is completed by the dispatcher or customer service representative for all valid complaints. Simple issues that can be resolved by the dispatcher (such as an inquiry about a bus status) are not logged. Public perception of IVT Access is generally positive.

### Scheduling, Dispatch, and Operations

Drivers are shared among all IVT services. There are currently 41 full-time employees and nine part-time employees. While this is considered to be fully staffed, First Transit would like to hire one or two additional drivers, as it currently has no extras. Most part-time drivers have other jobs, so their availability may be limited.

Employees are represented by Teamsters Local 542, though there are different collective bargaining agreements (CBAs) for drivers, dispatchers, etc. Driver bids are seniority-based. Demand-response dispatchers bid on the specific service they want, but are trained on all services. This provides back-up coverage in case of illness or vacations.

All drivers start on the fixed-route service, then transition to paratransit. Everyone is cross-trained for the different routes and services. Vehicles are assigned based on service, as all services are separately branded. All available vehicles are posted on the board in the Dispatch office by maintenance each night, along with a list of out-of-service vehicles. Dispatch then makes assignments from the available vehicles.

IVT utilizes manual (vault-style) fareboxes. Fareboxes are pulled from the buses at the end of the shift and brought to the Dispatch office. The farebox number is logged and the box is put in the safe room. Money counting is done the following day by two individuals wearing white coveralls. The cash is placed in sealed bags and picked up by armored car daily.

### Personnel Management and Training

As noted above, First Transit anticipates recruiting one to two more drivers to provide additional cover, though it is considered fully staffed. The corporate office handles recruitment, most of which is done online. The local team reviews applications and conducts interviews. Approximately 80 percent of applicants do not have a commercial driver's license. Among those that already have their Class B license, the majority are hired. First Transit offers full training and licensing, and finds that applicants with no experience or commercial license tend to be good employees, as they have not developed any bad habits yet.

Various activities are used to motivate employees, including employee of the month (which features a reserved parking space), bringing in donuts and coffee, and safe driver awards (based on DriveCam

reviews). Safety meetings often include small prizes for quizzes and other activities, such as safety pep rallies. It is difficult to do events because there is always someone on duty, so most big activities occur on Sunday. Apart from the COVID-19 pandemic, turnover is typically pretty low. Within the last year, First Transit lost about five employees, though some years they lose none. Last year, two drivers left due to other opportunities while the others were terminated.

There is a full-time on-site Safety Manager who conducts safety meetings and daily safety messaging over the radio. First Transit holds seven safety meetings every month, and the Safety Solutions team meets once a month. Drive Cams on the buses are used to coach drivers – both to correct and offer positive reinforcement. Safety personnel may also coach any members of the public on the property regarding observed unsafe practices (such as the yard speed limit). Safety is the prime goal. First Transit also has a mechanism for drivers to report unsafe conditions, near misses, or potential hazards, which can then be discussed at safety meetings or as a catalyst for preventive actions.

The training team includes four trainers and the training course meets state requirements. It can take recruits through the entire training and licensing process using a TSI trainer. The only thing not provided is DMV testing. First Transit has DMV testers in San Diego and Pasadena if there is too long a wait with the local DMV.

### Maintenance

First Transit's preventive maintenance program for all IVT services conforms with manufacturer specifications. The software program tracks the preventive maintenance schedule to ensure inspections are completed at the required time. At present, maintenance does not conflict with regular vehicle use as the reduced demand has resulted in extra spare vehicles. Warranty work is tracked, though none of the buses are currently under warranty.

The current maintenance facility includes three bays and two sets of lifts. However, the big buses cannot be lifted all the way or they will hit the roof. First Transit performs all maintenance work in-house except for body work and windows. In recent years, delays in getting some parts has led the ICTC to recommend sending out some work to local vendors that would typically be done in-house in order to speed up the process.

Access to the parts room is restricted to the Maintenance Manager and mechanics. All parts are tagged and tracked by work order. The work orders are reviewed by the Maintenance Manager and tracked in the maintenance software. First Transit maintains a sufficient inventory of commonly used parts. It had some challenges in getting Plexiglas for driver shields, but that has improved.

Maintenance is notified promptly of vehicle breakdowns. Lock out/tag out procedures are used to keep unsafe vehicles and shop equipment from being used. A board in the dispatch office lists the out-of-service vehicles as well as the reason they are out of service. The board is updated when a vehicle is back in service.

The ICTC owns all transit vehicles. A fleet replacement plan is in place, and the ICTC is actively working on replacements as vehicles exceed their useful life. The 2016 cutaways are expected to begin being replaced by the end of 2023.

Exhibit 7.3 IVT Access Transit Fleet

| Quantity | Year | Make & Model   | Fuel |
|----------|------|----------------|------|
| 11       | 2016 | Ford Starcraft | Gas  |

## Chapter 8 | Findings and Recommendations

### Conclusions

With one exception, Moore & Associates, Inc. finds IVT Access to be in compliance with the requirements of the Transportation Development Act. In addition, the entity generally functions in an efficient, effective, and economical manner.

### Findings

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

1. State Controller Reports were submitted after the stipulated deadline in FY 2020/21 and FY 2021/22.

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

1. The TDA fiscal audit does not show how the farebox recovery ratio is calculated, only provides the actual ratio against the required ratio.
2. IVT Access is not on track to be in compliance with the farebox recovery requirement when the penalty waiver ends after FY 2022/23.

### Program Recommendations

In completing this Triennial Performance Audit, the auditors submit the following recommendations for the IVT Access' public transit program. They are divided into two categories: TDA Program Compliance Recommendations and Functional Recommendations. TDA Program Compliance Recommendations are intended to assist in bringing the operator into compliance with the requirements and standards of the TDA, while Functional Recommendations address issues identified during the audit that are not specific to TDA compliance. Each finding is presented with the elements identified within the 2011 *Government Auditing Standards* as well as one or more recommendations.

### Compliance Finding 1: State Controller Reports were submitted after the stipulated deadline in FY 2020/21 and FY 2021/22.

**Criteria:** Public Utilities Code Section 99243 requires transit operators in receipt of TDA funds to submit annual reports to the State Controller within 90 days following the end of the fiscal year (110 days if filing electronically). Beginning FY 2016/17, this submittal deadline was amended to January 31 following the end of the fiscal year. Beginning with the online reporting for FY 2017/18, the cover sheet is timestamped with the submittal date and time upon its generation. This makes it easier to determine when the report was actually submitted.

**Condition:** Submittal of the State Controller Report is the responsibility of the ICTC. In FY 2019/20, the report was submitted on February 1, 2021, which was the deadline that year due to January 31 falling on a Sunday. In FY 2020/21, the report was submitted on February 22, 2022, approximately three weeks

following the deadline. In FY 2021/22 the timeliness had improved, though the report was still submitted on February 14, 2023, two weeks after the deadline.

**Cause:** Several challenges can result in reports being submitted late, including the unavailability of final data and lack of awareness regarding submittal deadlines.

**Effect:** Late submittals can place an operator out of compliance with the TDA.

**Recommendation:** Ensure State Controller Reports are submitted in a timely manner.

**Recommended Action:** The ICTC should take whatever actions are necessary to ensure an on-time submittal of the State Controller Reports. This may require working with other entities to adjust other submittal deadlines to ensure audited data is available.

**Timeline:** Ongoing.

**Anticipated Cost:** Negligible.

**Functional Finding 1: The TDA fiscal audit does not show how the farebox recovery ratio is calculated, only provides the actual ratio against the required ratio.**

**Criteria:** PUC 99245 requires the completion of an annual fiscal audit by recipients of funds under the TDA. These audits typically include an assessment of compliance with the farebox recovery ratio.

**Condition:** The ICTC's audit includes a comparison of the actual farebox recovery ratio for each IVT transit program to the required ratio for that program. It does not, however, include detail about how that ratio was calculated. In the FY 2020/21 and FY 2021/22 audits, the exact same ratios were provided for each program, but because there were no calculations provided, it was impossible to determine whether this was an error or if they actually were the same. This did not affect compliance, as penalties for non-compliance with the farebox recovery ratio in those years were waived under AB 149. Once those waivers expire, it will be important to document how farebox recovery ratio is calculated within the audit.

**Cause:** The TDA requires compliance to be confirmed, but does not indicate the level of detail to be included.

**Effect:** As a result, full information is not included, so there is no way to confirm the accuracy of the farebox recovery ratio calculation in the audit.

**Recommendation:** Include a detailed breakdown of the farebox recovery ratio calculation in future TDA fiscal audits.

**Recommended Action:** Working with its auditors, the ICTC should include a breakdown of the farebox recovery ratio calculation for each service in the audit. At a minimum, the calculation should include the revenues being counted as fare revenues and local supplementation as well as the operating cost, exclusive of depreciation. Ideally, it would be presented as follows:



|                           |                   |
|---------------------------|-------------------|
| Fares                     | \$30,000          |
| <u>Local subsidies</u>    | <u>\$10,000</u>   |
| Total fare revenues       | \$40,000          |
| <br>                      |                   |
| Operating expenses        | \$450,000         |
| <u>Less: depreciation</u> | <u>(\$50,000)</u> |
| Net operating expenses    | \$400,000         |
| <br>                      |                   |
| Fare ratio                | 10.00%            |
| Required ratio            | 10.00%            |

**Timeline:** FY 2022/23.

**Anticipated Cost:** None.

**Functional Finding 2: IVT Access is not on track to be in compliance with the farebox recovery requirement when the penalty waiver ends after FY 2022/23.**

**Criteria:** PUC 99268 requires operators to maintain a minimum farebox recovery ratio in order to receive their full allocation of TDA funding. Fare revenues can be supplemented by locally generated funds if fare revenues are not sufficient to meet the stipulated requirement.

**Condition:** During the audit period, IVT Access was not considered out of compliance with the farebox recovery ratio requirement due to the penalty waivers in AB 90 and AB 149. However, with a farebox recovery ratio well below 10 percent in each year, it does not appear well positioned to be able to achieve a ratio of 10 percent by FY 2023/24. Even prior to the pandemic, fares were not sufficient to meet the 10 percent requirement. This is a long-standing concern for IVT Access.

**Cause:** Fare revenues are insufficient to meet the 10 percent threshold, and the farebox recovery ratio is even lower with the reduced demand.

**Effect:** IVT Access’ farebox recovery ratio continues to be less than 10 percent.

**Recommendation:** Identify strategies that will enable IVT Access to meet the 10 percent farebox recovery ratio requirement.

**Recommended Action:** The ICTC should explore strategies and options that would enable IVT Access to meet its required farebox recovery ratio. IVT Access has less flexibility than other modes, as any fare increase would have to be tied to a fare increase for the fixed-route service. Therefore, ICTC will most likely need to identify additional funding that can be counted as fare revenue, such as federal funding (as allowed under AB 149).

AB 149 also amended PUC 99268.17 to allow all ADA complementary paratransit service costs to be excluded from the definition of operating cost for the purpose of calculating the farebox recovery ratio. What the section does not specify is whether those costs can be excluded when ADA paratransit service is being provided separately from the fixed-route service it is supporting. If they can, what portion of the operating cost would be excluded for a stand-alone service? The ICTC may wish to confer with Caltrans to

obtain clarification on this issue. Either way, there do appear to be potential strategies for addressing this challenge without having to secure additional funding.

**Timeline:** FY 2023/24.

**Anticipated Cost:** Varies depending upon strategy.

**Management Response:** ICTC is exploring opportunities to apply local funding to the services that need it most. While not required for FY 2022/23, ICTC is looking at making these adjustments as soon as possible.

Exhibit 8.1 Audit Recommendations

| TDA Compliance Recommendations |  | Importance | Timeline   |
|--------------------------------|--|------------|------------|
| 1                              | Ensure State Controller Reports are submitted in a timely manner.  | Medium     | Ongoing    |
| Functional Recommendations     |  | Importance | Timeline   |
| 1                              | Include a detailed breakdown of the farebox recovery ratio calculation in future TDA fiscal audits.        | Medium     | FY 2022/23 |
| 2                              | Identify strategies that will enable IVT Access to meet the 10 percent farebox recovery ratio requirement. | High       | FY 2023/24 |