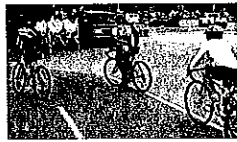


# CITY OF KING CITY



TRIENNIAL PERFORMANCE AUDIT

MAY 2008

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# 1

1. FINDINGS AND  
RECOMMENDATIONS

## INTRODUCTION

This chapter summarizes key findings and recommendations developed during the Triennial Performance Audit of the City of King City's public transit program for the period defined as:

- Fiscal Year 2004/05,
- Fiscal Year 2005/06, and
- Fiscal Year 2006/07.

The Triennial Audit was conducted in accordance with the processes established by the California Department of Transportation, 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.

The Triennial Performance Audit includes two elements:

1. Compliance requirements, and
2. Follow-up of prior performance audit report recommendations.

## COMPLIANCE

The City of King City did not meet the test of compliance with respect to the Transportation Development Act (TDA) regulations in following areas:

- 1) No record of Transit Operator Reports for FY 2005/06 and FY 2006/07 being submitted to the State Controller were provided as part of this audit.
- 2) The City is in the process of completing, but has not yet filed a fiscal audit for FY 2006/07.
- 3) Operating Cost data for FY 2006/07 was unavailable for review.
- 4) The City did not meet the 10-percent farebox recovery standard in either FY 2004/05 or FY 2005/06.

## FINDINGS

The following findings apply to the City of King City's publicly-funded transit program.

- 1) No record of Transit Operator Reports for FY 2005/06 and FY 2006/07 being submitted to the State Controller were provided as part of this audit.

- 2) The City is in the process of completing, but has not yet filed a fiscal audit for FY 2006/07.
- 3) Operating Cost data for FY 2006/07 was not available for review.

## RECOMMENDATIONS

- 1) **Create an effective process for record-keeping and reporting.**

We recommend the City develop a comprehensive system of data collection, record-keeping, reporting, and monitoring to support future audits and reporting requirements. The City must make this a priority as the auditor discovered significant discrepancies between internal and external figures, clerical errors, and calculation errors. Doing so would help ensure the City is prepared to submit Transit Operator Reports to the State Controller in a timely manner.

- 2) **Consolidate transit services with Monterey-Salinas Transit.**

Given findings and recommendations within the most recent Salinas Valley SRTP, the auditor recommends the City consider relinquishing control of transit operations to Monterey-Salinas Transit. This could allow for the realization of greater efficiency, effectiveness, and reporting.

## PRIOR TPA RECOMMENDATIONS

The prior audit, completed in 2005 by Nelson\Nygaard Consulting Associates, for the three fiscal years ending June 30, 2004, prescribed two recommendations for the City's public transit program:

- 1) **Develop goals, objectives, and service standards.**

**Discussion:** The prior TPA recommended the City develop goals, objectives, and service standards to help track performance and identify areas for improvement.

**Progress:** The City implemented three goals as of 2005: 1) Purchase a new bus, 2) meet the 13-percent farebox recovery standard, and 3) improve the passengers/VSH indicator. While these goals are a good start, they are not backed by solid objectives or quantifiable performance standards, and as such lack any "teeth" or guidelines for success or attainment.

- 2) Posting information concerning King City Transit on the City's website.

**Discussion:** The prior audit recommended the City cornerstone information about its transit service on the City website, especially given information regarding MST Line 23 was readily available.

**Progress:** The City has included transit services hours and a phone number on its website along with a picture of one of the vehicles.

## PERFORMANCE INDICATORS AND TRENDS

Given the absence of performance data for FY 2006/07, we were unable to calculate the following indicators for that period:

- Operating Cost/VSH,
- Operating Cost/Passenger,
- Farebox Recovery, and
- Operating Cost/VSM.

# 2

## 2. OVERVIEW

## OVERVIEW

The Triennial Performance Audit of the City of King City's public transit program covers a three-year period ending June 30, 2007. The California Public Utilities Code requires all public transit operators to conduct a Triennial Performance Audit in order to be eligible for Transportation Development Act (TDA) funding.

The audit is designed to be an independent and objective evaluation of the City of King City as a transit operator. The purpose of the audit is: 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.

## AUDIT SCOPE AND METHODOLOGY

The audit was conducted in accordance with the processes established by the California Department of Transportation, 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.

The TPA is a high-level review of performance evaluating the efficiency, economy, and effectiveness of the transit operator. The audit of the City of King City included five tasks:

1. A review of compliance with the TDA requirements and regulations.
2. An assessment of the implementation of recommendations contained in prior performance audits.
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. 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
  - Maintenance.
5. Conclusions and recommendations to address opportunities for improvement based upon analysis of the information collected and the review of the transit operator's major functions.

The methodology for this audit included discussions with personnel at the City of King City, verification of data sources, examination of financial and statistical reports, and reviews of relevant planning documents and reports. The audit report is comprised of three sections:

**1. Executive Summary and Findings & Recommendations**

A summary of the key findings and recommendations developed during the Triennial Performance Audit process. Also included in the section is an explanation of key findings and recommendations for improving the efficiency of transit operations and a timeline for implementation.

**2. Introduction**

Methodology of the audit and pertinent background information.

**3. Audit Results**

In-depth discussion of findings surrounding each of the subsequent elements of the audit:

- Compliance with statutory and regulatory requirements,
- Progress in implementing prior audit recommendations,
- Performance measures and trends, and
- Functional review.

## DESCRIPTION OF TRANSIT PROGRAM

According to the California Department of Finance (2007), the City of King City is home to over 11,500. The City provides demand-response transit service to the general public through King City Dial-A-Ride, Monday through Friday from 7:00 a.m. to 4:00 p.m. Service is not provided on weekends or holidays.

The adult base fare for King City Dial-A-Ride is \$1.50 within city limits, with a reduced fare of seventy-five cents for seniors and persons with disabilities.

# 3

3. AUDIT REPORT

## AUDIT REPORT

This chapter communicates findings for each of the key performance audit sectors: Compliance requirements, prior audit recommendations, Transit Development Act (TDA) performance measures and trends, and transit operator functions.

## COMPLIANCE REQUIREMENTS

This section examines the City of King City's compliance with the Transportation Development Act and 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. Although compliance verification is not a TPA function, several specific requirements concern issues relevant to the performance audit. The Transportation Agency for Monterey County (TAMC) considers full use of funds under CCR 6754(a) to refer to operating funds and not capital funds. The TPA findings and related comments are delineated in Exhibit 1.

Compliance was determined through discussions with City of King City staff and a physical inspection of relevant documents including the fiscal audits for each year of the triennium, TDA claims forms, annual State Controller Reports, California Highway Patrol terminal inspections, year-end performance reports, and other relevant items.

The City of King City did not meet the test of compliance with respect to the Transportation Development Act (TDA) regulations in following areas:

1. No record of Transit Operator Reports for FY 2005/06 and FY 2006/07 being submitted to the State Controller were provided as part of this audit.
2. The City is in the process of completing, but has not yet filed a fiscal audit for FY 2006/07.
3. Operating Cost data for FY 2006/07 was unavailable for review.
4. The City did not meet the 10-percent farebox recovery standard in either FY 2004/05 or FY 2005/06.

## Exhibit 1 Transit Development Act Compliance Requirements

REQUIREMENT	REFERENCE	COMPLIANCE	COMMENTS
The transit operator submits annual reports to the RTPA based upon the Uniform System of Accounts and records established by the State Controller.	PUC 99243 (CCR 6637)	Finding	FY 2004/05: 10/19/2005  No record of Transit Operator Reports for FY 2005/06 and FY 2006/07 being submitted to the State Controller were provided as part of this audit.
The operator has submitted annual fiscal and compliance audits to its RTPA and to the State Controller within 180 days following the end of the fiscal year, or has received the appropriate 90-day extension allowed by law.	PUC 99245 (CCR 6664)	Finding	FY 2004/05: 12/14/2005 FY 2005/06: 4/25/2007  No record of any fiscal audit being submitted to the State Controller in FY 2006/07.
The CHP has, within the 13 months prior to each TDA claim submitted by an operator, certified the operator's compliance with Vehicle Code §1808.1 following a CHP inspection of the operator's terminal.	PUC 99251	In compliance	CHP reports with a satisfactory rating dated: June 28, 2005 July 19, 2006 August 16, 2007
The operator's claim for TDA funds is submitted in compliance with rules and regulations adopted by the RTPA for such claims.	PUC 99261	In compliance	Claims for TDA funds are submitted in compliance.
The operator does not routinely staff two or more persons per public transportation vehicle designed to be operated by one person.	PUC 99264	In compliance	The operator staffs all vehicles appropriately.

REQUIREMENT	REFERENCE	COMPLIANCE	COMMENTS
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	Finding	Performance data not available for FY 2006/07.
Operator funding provided through the Transportation Development Act makes up no more than 50% of operating, maintenance, capital and debt service requirements after federal grants are deducted, if applicable.  No operator or transit service claimant shall be eligible to receive moneys during the fiscal year from the Local Transportation Fund and the State Transit Assistance Fund for operating costs in an amount exceeding its actual cost.	PUC 99268  CCR 6634	Finding	Performance data not available for FY 2006/07
If the operator serves a rural area, it has maintained a ratio of fare revenues to operating costs at least equal to one-tenth (10 percent).	PUC 99268.2, 99268.4, 99268.5	Finding	FY 2004/05: 9.1% FY 2005/06: 8.0% FY 2006/07: unavailable (Data reflects independent fiscal auditor's reports.)
If the operator receives State Transit Assistance funds, the operator is not precluded by contract from employing part-time drivers, or from contracting with common carriers.	PUC 99314.5	In compliance	
If the operator receives State Transit Assistance funds, the	CCR 6754(a) (3)	Not applicable	The City does not receive State

REQUIREMENT	REFERENCE	COMPLIANCE	COMMENTS
operator makes full use of funds available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted.			Transit Assistance funds.

## PRIOR AUDIT RECOMMENDATIONS

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

The prior audit, completed in 2005 by Nelson\Nygaard Consulting Associates, for the three fiscal years ending June 30, 2004, prescribed two recommendations for the City's public transit program.

1) Develop goals, objectives, and service standards.

**Discussion:** The prior TPA recommended the City develop goals, objectives, and service standards to help track performance and identify areas for improvement.

**Progress:** The City implemented three goals as of 2005: 1) Purchase a new bus, 2) meet the 13-percent farebox recovery standard, and 3) improve the Passengers/VSH indicator. While these goals are a good start, they are not backed by solid objectives or quantifiable performance standards, and as such lack any "teeth" or guidelines for success or attainment.

2) Posting information concerning King City Transit on the City's website.

**Discussion:** The prior audit recommended the City include cornerstone information about its transit service on the City website, especially given extensive information on MST Line 23 was readily available.

**Progress:** The City has included transit services hours and a phone number on its website along with a picture of one of the vehicles.

## PERFORMANCE MEASURES AND TRENDS

Performance indicators are frequently used to quantify and review 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 and the interrelationship of major functions are better understood.

The Transportation Development Act (TDA) requires recipients of TDA funding to 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 auditor 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 TDA requires recipients operating in non-urbanized areas maintain a farebox recovery ratio of not less than 10 percent.

### Performance Measures

The procedures used to calculate TDA-required performance measures for the current triennium were verified and compared to measures stated in similar audit reports. Some variance between calculation methodology (i.e., farebox recovery) may exist between the fiscal and compliance audits.

**Operating Cost**

Operating Cost was not independently calculated as part of this audit. Operating Cost from the fiscal audit reports prepared by Teaman, Ramirez & Smith, Inc. (FY 2004/05, 2005/06) was examined. Operating Cost from the audited reports is consistent with TDA guidelines and accurately reflects the costs for the City's transit services. In accordance with PUC 99247(a), the reported cost excluded depreciation expenses. A fiscal audit for FY 2006/07 was not available for review.

**Vehicle Service Hours and Miles**

Vehicle Service Hours (VSH) and Vehicle Service Miles (VSM) appear to be correctly recorded and reported. Calculations are based on driver trip sheets. The driver records the time and mileage at the start and end of each service day. With this information, the TDA definition of VSH and VSM can be calculated and reported correctly.

**Passenger Counts**

By TDA definition, 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. Passenger counts were calculated based on information presented on driver trip sheets.

**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 Equivalency (FTE) is calculated by dividing the number of person-hours by 2,000.

### Revenues

The City utilizes adequate procedures for revenue collection and cash management for a transit operation of its size and scope. Revenue amounts from the TDA fiscal audits were used for FY 2004/05 and FY 2005/06, while a City of King City internal report was used for FY 2006/07. An independent fiscal audit for FY 2006/7 was not available for review.

### TDA Required Indicators

To calculate the TDA indicators for the City as the transit operator, the following sources were used:

- **Operating Cost** for FY 2004/05 and FY 2005/06 was obtained from the City's fiscal audits prepared by Teaman, Ramirez & Smith, Inc. excluding depreciation. Transit Operator Reports for any year in the audit period, and an independent fiscal audit for FY 2006/07.
- **Fare Revenue** data was obtained from the City's Financial Statements prepared for FY 2004/05 and FY 2005/06 by the certified public accountants referenced above. Fare revenue for FY 2006/07 was obtained from a City internal report versus an independent fiscal audit.
- **Vehicle Service Hours (VSH)** was obtained by summarizing data from the City's *Monthly Transit Report*.
- **Vehicle Service Miles (VSM)** was obtained by summarizing data from the City's *Monthly Transit Report*.
- **Passenger Counts** was obtained by summarizing data from the City's *Monthly Transit Report*.
- **Full-Time Equivalents (FTE)** was estimated based on discussions with City staff. This number was then divided by 2,000 to calculate the FTE indicator.

### PERFORMANCE TRENDS

Performance trends were analyzed for the City's public transit service. For the three years covered by this Triennial Performance Audit, TDA indicators were calculated from data developed within the previous section.

## TREND ANALYSIS

Between FY 2004/05 and FY 2005/06, the City's public transit operating cost increased 7.8 percent while fare revenue and ridership both decreased (4.4 percent and 3.9 percent, respectively). Both rebounded in FY 2006/07, with fare revenue rising 8.0 percent and ridership increasing 8.1 percent.

Given the absence of operating cost data for FY 2006/07, the auditor was unable to calculate the following indicators:

- Operating Cost/VSH,
- Operating Cost/Passenger,
- Farebox Recovery, and
- Operating Cost/VSM

Overall, the City's effectiveness improved across the audit period. The City's Passengers/VSM indicator remained relatively stable while the Passengers/VSH indicator decreased 13 percent across the audit period. This can be attributed to a 15.9-percent increase in the VSM/VSH indicator, which was largely due to increased ridership which allowed for less deadhead and increased number of miles being traveled each revenue hour.

## Exhibit 2 Performance Indicators

Performance Measure	King City Transit		
	FY 2004/05	FY 2005/06	FY 2006/07
<b>Operating Cost (Actual \$)</b>	\$86,614	\$93,412	
<i>Annual Change</i>		7.8%	-100.0%
<b>Fare Revenue (Actual \$)</b>	\$7,845	\$7,501	\$8,101
<i>Annual Change</i>		-4.4%	8.0%
<b>Vehicle Service Hours (VSH)</b>	1,686	1,654	1,720
<i>Annual Change</i>		-1.9%	4.0%
<b>Vehicle Service Miles (VSM)</b>	14,448	15,489	17,074
<i>Annual Change</i>		7.2%	10.2%
<b>Passengers</b>	6,580	6,325	6,838
<i>Annual Change</i>		-3.9%	8.1%
<b>Employees</b>	1	1	1
<i>Annual Change</i>		0.0%	0.0%
<b>Performance Indicators</b>			
<b>Operating Cost/VSH (Actual \$)</b>	\$51.37	\$56.48	\$0.00
<i>Annual Change</i>		9.9%	-100.0%
<b>Operating Cost/Passenger (Actual \$)</b>	\$13.16	\$14.77	\$0.00
<i>Annual Change</i>		12.2%	-100.0%
<b>Passengers/VSH</b>	3.90	3.82	3.98
<i>Annual Change</i>		-2.0%	4.0%
<b>Passengers/VSM</b>	0.46	0.41	0.40
<i>Annual Change</i>		-10.3%	-1.9%
<b>Farebox Recovery</b>	9.1%	8.0%	#DIV/0!
<i>Annual Change</i>		-11.3%	#DIV/0!
<b>Hours/Employee</b>	1,686.0	1,654.0	1,720.0
<i>Annual Change</i>		-1.9%	4.0%
<b>Non-Required Indicators</b>			
<b>Operating Cost/VSM</b>	\$5.99	\$6.03	\$0.00
<i>Annual Change</i>		0.6%	-100.0%
<b>VSM/VSH</b>	8.57	9.36	9.93
<i>Annual Change</i>		9.3%	6.0%
<b>VSH/FTE</b>	1,686.0	1,654.0	1,720.0
<i>Annual Change</i>		-1.9%	4.0%
<b>Fare/Passenger</b>	\$1.19	\$1.19	\$1.18
<i>Annual Change</i>		-0.5%	-0.1%

Exhibit 3 Ridership

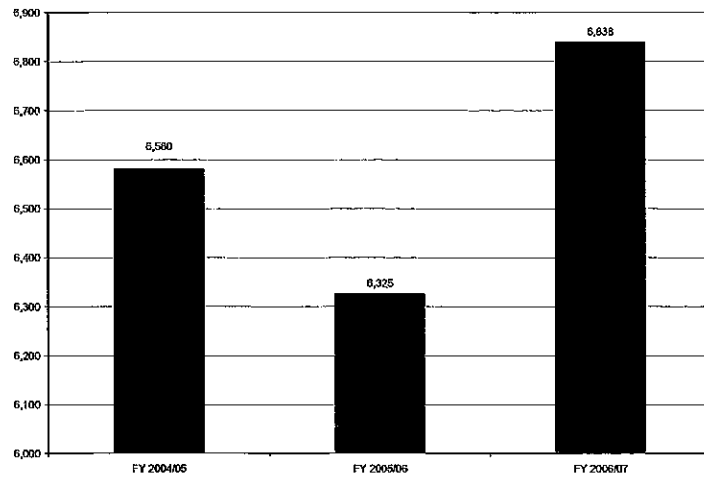


Exhibit 4 Operating Cost/VSH

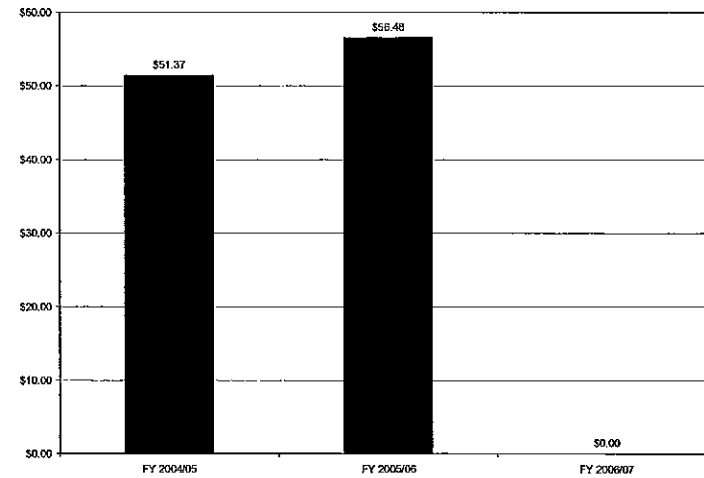


Exhibit 5 Operating Cost/VSM

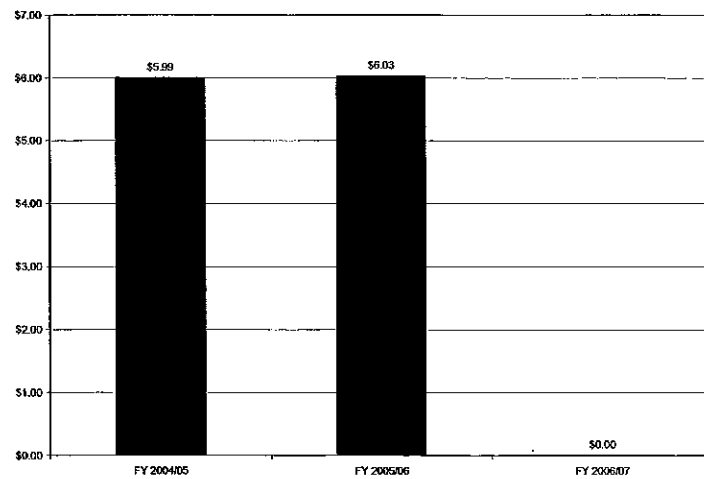


Exhibit 6 VSM/VSH

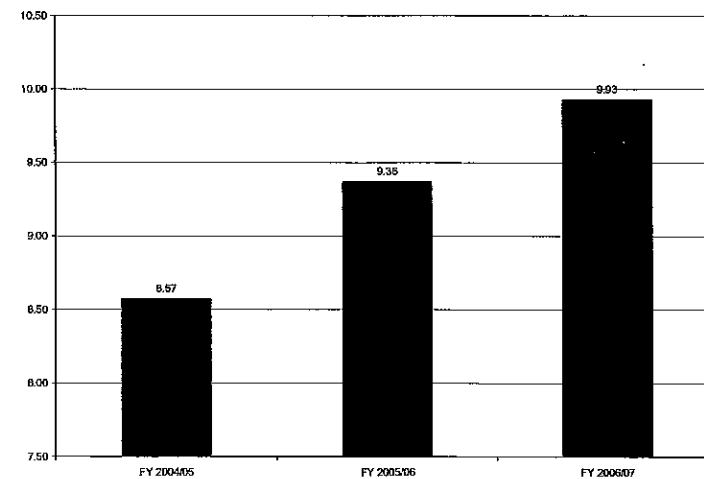


Exhibit 7 Operating Cost/Passenger

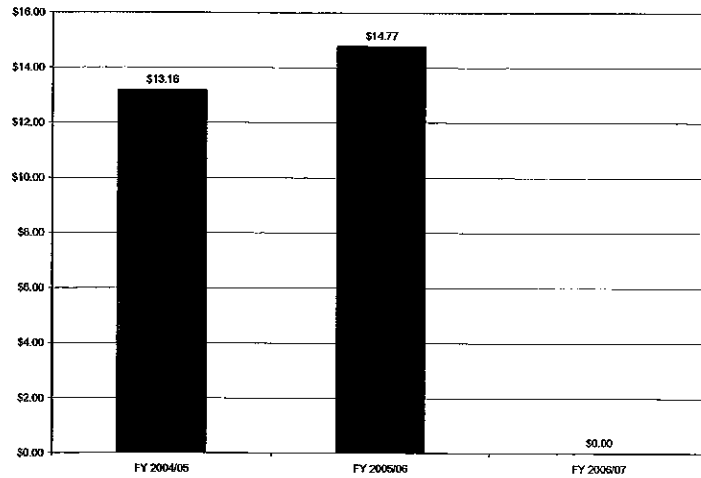


Exhibit 8 Passengers/VSH

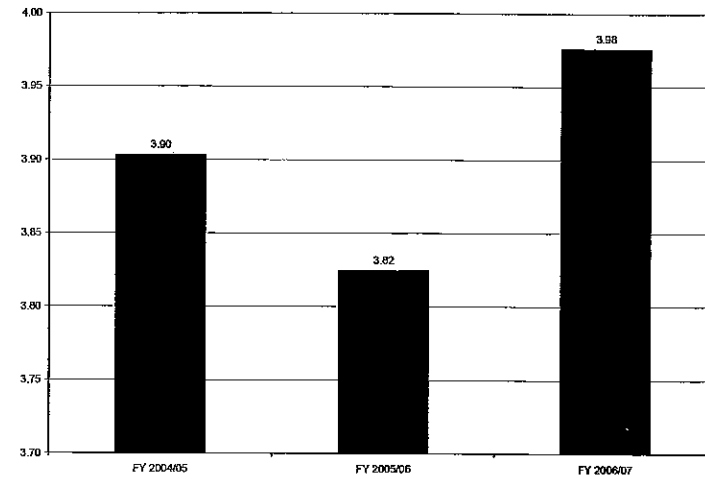


Exhibit 9 Passengers/VSM

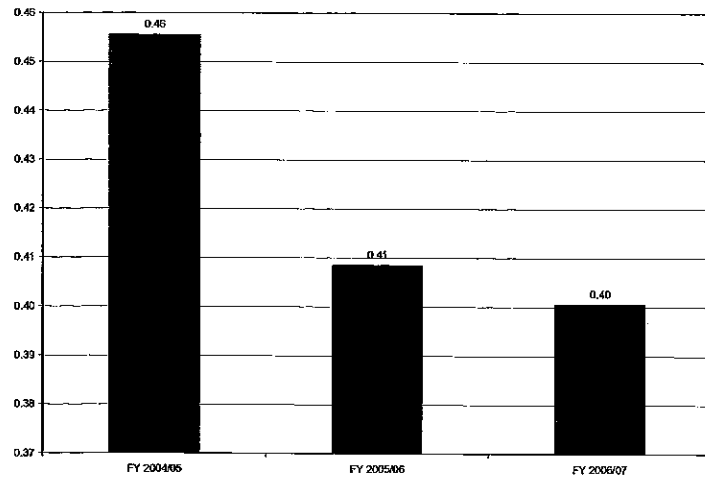


Exhibit 10 VSH/FTE

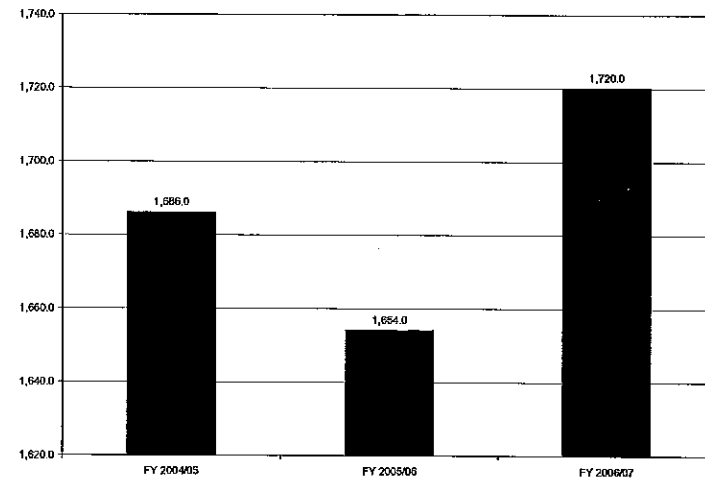


Exhibit 11 Farebox Recovery

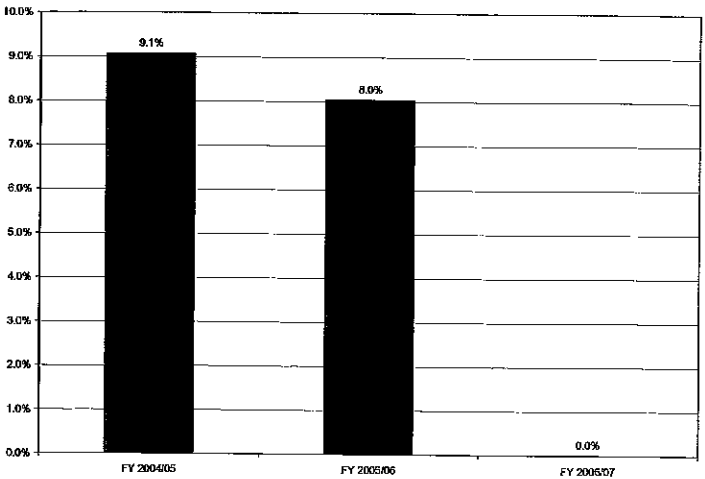


Exhibit 12 Fare/Passenger

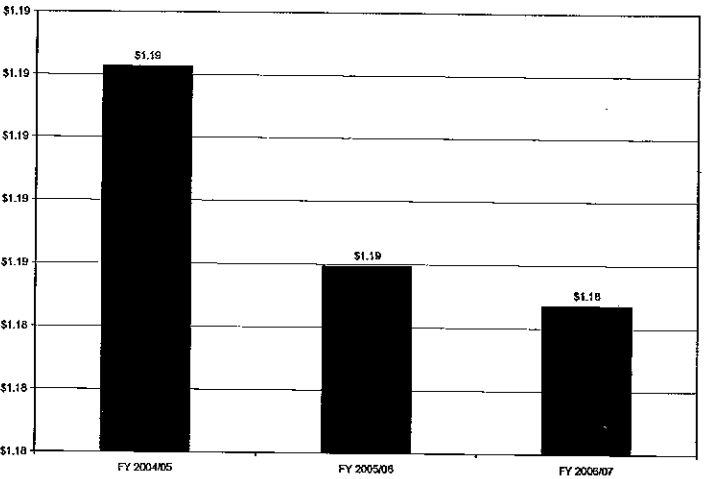


Exhibit 13 Transit Goals

Goals	Status
1 Purchase additional vehicle	not implemented
2 Meet 13-percent farebox recovery standard	not implemented
3 Improve Passengers/VSH indicator	implemented

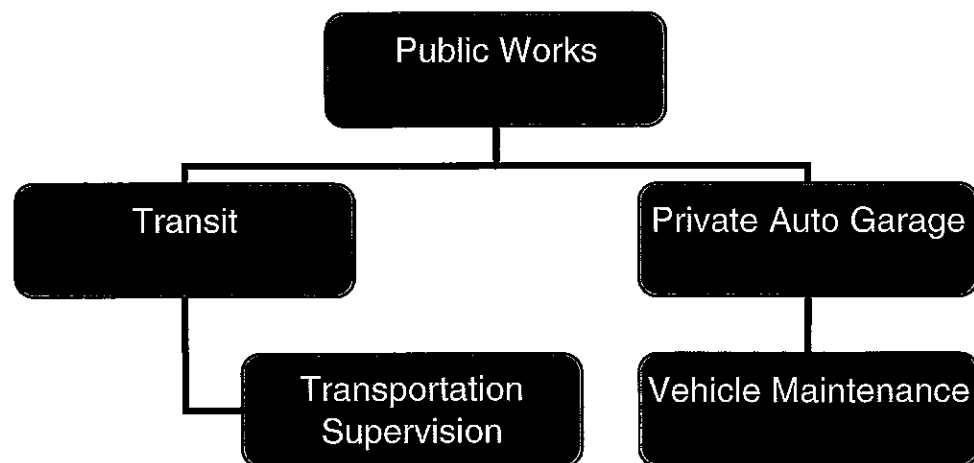
Source: City of King City.

## FUNCTIONAL REVIEW

A functional review of the City of King City's public transit program determines the extent and efficiency of the following functional activities:

- General management and organization,
- Service planning,
- Scheduling, dispatching, and operations,
- Personnel management and training, and
- Administration.

Exhibit 14 Organizational Chart



Source: City of King City

### General Management and Organization

The City's Public Works Superintendent is responsible for the general management of the City's public transit program. Given the City's recent financial challenges, the

Interim Finance Director is tasked with budgeting, grant management, procurement, and TDA claim preparation.

#### Administrative Oversight

Transit functions (administration, dispatch, and operations) were performed in-house by a single driver, Interim Finance Director, or Public Works Superintendent. Requests for pick-ups are called directly into the driver. Special drop-offs are requested by passengers once onboard the bus.

#### Service Planning

The City's planning efforts are conducted almost entirely by the Association of Monterey Bay Area Governments (AMBAG). The most recent Salinas Valley Short Range Transit Plan was adopted by in 2007. One of the recommendations was the possible consolidation of general public demand-response programs in the cities of King City, Greenfield, and Soledad under Monterey-Salinas Transit's DART program, as well as introducing service to Gonzalez. The City is expecting to transfer control of its transit program to MST when feasible.

Unmet needs hearings are conducted by the Interim Finance Director with Transit Agency for Monterey County assistance.

#### Maintenance Functional Review

Vehicle maintenance is contracted out to a private garage, with the corporation yard functioning as a storage facility. Preventative maintenance inspections are conducted every 3,000 miles and safety inspections every 45 days. The City completed CHP Safety Compliance inspections in 2005 and 2006. Evidence of a 2007 inspection was not available for review.

Exhibit 15 King City Transit Vehicles

Vehicle ID	Model	Year	Seating
01	Dodge Ram	2007	11
02	Dodge Caravan	1999	5

Marketing and Public Information

The City undertakes modest transit-focused marketing efforts including information on the City's website, distribution of a brochure and business card, and information on the local public access channel.