

TRIENNIAL PERFORMANCE AUDIT  
of Lincoln Transit  
for Fiscal Years 2006/2007 through 2008/2009

*Final Audit*



*Prepared for the*

Placer County Transportation Planning Agency

*Prepared by*

LSC Transportation Consultants, Inc.



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of  
Lincoln Transit

for  
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*Prepared for the*

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June 9, 2010

LSC #097460



## TABLE OF CONTENTS

Chapter	Page
1 Executive Summary .....	1
Background .....	1
Findings.....	1
Recommendations.....	2
2 Triennial Performance Audit Results.....	5
Background.....	5
Performance Audit and Report Organization .....	5
Transit Program Description.....	5
TDA Requirements .....	18
Review of Compliance Requirements .....	18
Status of Prior Audit Recommendations.....	21
Initial Review of Transit Operator Functions .....	23
Detailed Review of Transit Operator Functions .....	23
3 Conclusions and Recommendations .....	29
Findings.....	29
Recommendations.....	30

## LIST OF TABLES

Table	Page
1 Lincoln Transit Services Performance Measures .....	8
2 Transit Operator Compliance Requirements – Lincoln Transit.....	19
3 Status of Prior Performance Audit Recommendations for Lincoln Transit.....	21

## LIST OF FIGURES

Figure	Page
1 Lincoln Transit Systemwide Annual One-Way Passenger-Trips .....	9
2 Lincoln Transit Systemwide Annual Vehicle Revenue Hours .....	9
3 Lincoln Transit Systemwide Annual Vehicle Revenue Miles.....	10
4 Lincoln Transit Systemwide Annual Operating Costs.....	10
5 Lincoln Transit Systemwide Number of Full-Time Equivalent Employees .....	12
6 Lincoln Transit Systemwide Annual Farebox Revenues.....	12
7 Lincoln Transit Systemwide Operating Cost per One-Way Passenger-Trip .....	14
8 Lincoln Transit Systemwide Operating Cost per Vehicle Revenue Hour .....	14
9 Lincoln Transit Systemwide One-Way Passenger-Trips per Vehicle Revenue Hour .....	16
10 Lincoln Transit Systemwide One-Way Passenger-Trips per Vehicle Revenue Mile.....	16
11 Lincoln Transit Systemwide Vehicle Revenue Hours per Full-Time Employee .....	17
12 Lincoln Transit Systemwide Farebox Recovery Ratio .....	17



# Chapter 1

## Executive Summary

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The *California Public Utilities Code* (PUC) requires that all transit operators that receive funding under Article 4 of the Transportation Development Act (TDA) be the subject of a performance audit every three years. This document presents the findings from the performance audit of the City of Lincoln, which operates Lincoln Transit with funding received through the Placer County Transportation Planning Agency (PCTPA). PCTPA acts as the Regional Transportation Planning Agency (RTPA) responsible for TDA funding. This audit was performed under the authority of the Placer County Transportation Planning Agency.

This audit report covers Fiscal Year (FY) 2006-07 through FY 2008-09 and was conducted by LSC Transportation Consultants, Inc. The field reviews and data collection efforts were conducted in the beginning of 2010, and telephone interviews were completed in February and March 2010 following receipt of the FY 2008-09 TDA Funds Audit report.

### BACKGROUND

Lincoln Transit is operated by the City of Lincoln, providing two fixed-routes and complementary Dial-A-Ride. Prior to November 2009 and during the audit period, Lincoln Transit operated three fixed-route services generally operating between 7:00 AM and 5:30 PM Monday through Friday. Buses deviated up to three-quarters of a mile from the scheduled route upon request from seniors or disabled persons.

### FINDINGS

- ◆ Given the demographic characteristics and geographic constraints in the City of Lincoln, the transit program size and scope appears to be appropriate.
- ◆ Transit services provided by Lincoln Transit did not meet five of the nine obligatory TDA-requirements. The key violation was the system's inability to consistently meet the minimum 10 percent farebox recovery ratio requirement during the audit period. The highest farebox recovery ratio was 3.3 percent in 2006-07.
- ◆ Lincoln Transit failed to complete and submit its annual TDA Fiscal and Compliance Audit within the TDA-required deadline for all three fiscal years. The base requirement is 180 days after the end of the fiscal year, unless a 90 day extension is granted by the RTPA. Two of the Lincoln Transit TDA Fiscal and Compliance Audits were completed over one year past the end of the fiscal years (July 9, 2008, for the 2006-07 fiscal year and September 9, 2009, for the 2007-08 fiscal year). The FY 2008-09 audit was not completed until April of 2010.

- ◆ Lincoln Transit failed to complete and submit its annual State Controller's Reports within the TDA-required deadline for two of the three fiscal years. The base requirement is 90 days after the end of the fiscal year, unless filed electronically, in which case 110 days is allowed. The annual reports were submitted on November 30, 2007, for FY 2006-07 and on January 6, 2009, for FY 2007-08.
- ◆ In violation of PUC Section 99266 which requires that Lincoln Transit's operating budgets not increase by more than 15 percent over the preceding year, operating costs increased by 24 percent in FY 2007-08. This is true of other transit programs in Placer County and seems largely to be a factor of increased fuel costs which are beyond the control of the operator. However, the operating cost per passenger-trip was very high during the audit period, ranging from \$20.70 to \$30.52. This indicates that the transit system as operated during the audit period was not cost effective.
- ◆ During the audit period, discrepancies existed between the internal operating data (ridership, vehicle service hours, and vehicle service miles) maintained by Lincoln Transit and the data reported in the annual State Controller Reports. In particular, several significant errors were reported in the State Controller Reports (54,479 vehicle revenue hours reported in 2008-09, when the correct number was 7,725; 109,686 miles reported in 2006-07 when the correct number was 85,526).
- ◆ Slight discrepancies exist between the data in annual State Controller Reports and the annual TDA Fiscal and Compliance Audits. This issue is not unique to Lincoln Transit, since the State Controller Report data are due prior to the time when the annual TDA Fiscal and Compliance Audits are typically completed. Given the small differences in the data sets, it would not be beneficial to commit limited staff resources to try to reconcile these historical figures.
- ◆ More significantly, the operating cost and fare revenue recovery ratio were miscalculated in internal data and the TDA Fiscal and Compliance Audits for all three years of the audit period. Indirect expenses were erroneously subtracted from the operating cost, charter expenses were erroneously included in operating costs, and charter revenues were erroneously included in the fare revenue.
- ◆ The farebox revenue is delivered to the Transit Supervisor who alone counts the revenue before submitting it to the financial department.

## **RECOMMENDATIONS**

- ◆ The primary recommendation for Lincoln Transit is to work closely with PCTPA and Caltrans to determine methods to achieve the TDA-mandated 10 percent farebox recovery ratio. Specifically, Lincoln Transit ridership needs to be increased. Significant service changes enacted as a result of the recent SRTP are likely to facilitate this change, but not enough data is available presently to evaluate the effectiveness of new services. Lincoln

Transit staff should continue to review the performance of the service changes on a monthly basis. If increases in ridership and reductions in operating costs are not sufficient to increase the farebox ratio, Lincoln Transit should also consider a fare increase.

- ◆ If the minimum farebox recovery ratio is not maintained, the operator's eligibility for TDA funds is reduced by the difference between the required and actual fare revenue. A one-year grace period is allowed. If the 10 percent farebox recovery ratio is not attained the following fiscal year (referred to as non-compliance year), the penalty (or the difference between required and actual fare revenue) is determined and reported in the following fiscal year or the determination year. During the third year following the grace year, the penalty for the non-compliance year is assessed. The fiscal audit cites that Lincoln Transit will be subject to a penalty of \$28,723 in FY 2009-10 for non-compliance with the farebox recovery ratio requirement in FY 2007-08. Further a penalty of \$46,930 should be assessed in FY 2010-11 for noncompliance with the farebox recovery ratio in FY 2008-09. It is recommended in the PCTPA audit that PCTPA assess these penalties. PCTPA has elected to place the funds in a reserve account until the City meets farebox requirements.
- ◆ If Lincoln Transit continues to miss the farebox recovery ratio requirement, another factor to consider is the TDA allowed exclusion of "extended services." Lincoln Transit recently revamped transit routes and extended the fixed-route to Twelve Bridges and Lincoln Crossing. TDA law allows for the exclusion of operating costs and fare revenue associated with extended transit services in the calculation of the farebox recovery ratio for the first two years of the service extension. Lincoln Transit should consider this exclusion when calculating the ratio in FY 2009-10 and 2010-11.
- ◆ High operating costs are a concern for Lincoln Transit. Operating costs rose 24.0 percent in FY 2007-08 and operating expenses exceeded the budget in FY 2007-08 by \$275,904 and in 2008-09 by \$200,526. Again, in 2007-08, fuel costs jumped unexpectedly which likely attributed to some of the difference. However, given the low farebox ratio, Lincoln Transit staff should closely monitor transit operating expenses and regularly compare these expenses to the adopted budget.
- ◆ Lincoln Transit staff should annually perform a review of the State Controller Report data, as well as the annual TDA Fiscal and Compliance Audit data, to review the accuracy of data reporting and proper calculation of TDA required performance indicators by the fiscal auditor. In particular the calculation of operating expenses and fare revenue should be reviewed. Operating expenses should **not** include charter expenses but **should** include indirect costs charged by other city departments for vehicle maintenance, administrative services, etc. Fare revenue should **not** include charter revenue. Additionally, staff should chronicle any discrepancies between State Controller Reports, fiscal audits, and internal reports in a file so that future Triennial Performance Auditors can use this information to enumerate any discrepancies.
- ◆ For the protection of the transit supervisor and as a sound policy, the fare revenues should be retrieved from fareboxes and counted with two people present.

- ◆ Lincoln Transit has not implemented a number of previous recommendations which are still pertinent, including:
  - *The City should designate a single point-of-contact for transit program oversight.* While the Transit Supervisor is the main point-of-contact for day to day operations and operating data, there is still some confusion about who maintains and provides financial data. The auditor was referred to four different people to arrive at basic financial data.
  - *Institute timely submittal of mandated reports to state and RTPA. Institute timely submittal of TDA claims.* As noted, this is still an issue. Lincoln Transit staff should prepare and submit data in a timely manner to the State Controller, as well as prepare and submit data so the annual TDA Fiscal and Compliance Audit can be completed on time. If necessary, the City should also formally request the available extensions.
  - *Record accurate fleet data by fiscal year (including VIN, year, make/model, and mileage at the end of each fiscal year for each vehicle).* This step was not conducted over the course of the most recent audit period.

## Chapter 2

# Triennial Performance Audit Results

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### BACKGROUND

The Transportation Development Act (TDA), also known as the “Mills-Alquist Deddeh Act,” provides two major sources of funding for public transportation providers in California: the Local Transportation Fund (LTF) and the State Transit Assistance (STA). The LTF is derived from 0.25 percent of the 7.25 percent retail sales tax collected statewide and can be used for a variety of transportation purposes according to a set of priorities detailed in the Act. The State Board of Equalization returns the LTF to each county according to the amount of tax collected in that county. Historically, STA funds were derived from statewide sales tax on gasoline and diesel fuel, and are allocated to each county based on the following formula: 50 percent according to population, and 50 percent according to operator revenues from the prior fiscal year. STA funds can only be used to pay for transit planning, capital projects, and operations.

The California PUC requires that a Triennial Performance Audit be conducted for all transit operators and Regional Transportation Planning Agencies. A performance audit is a systematic process of evaluating an organization’s effectiveness, efficiency, and economy of operations under management control. The objectives of the audit are to provide a means for evaluating an organization’s performance and to enhance the performance by making recommendations for improvements. In addition, the audit evaluates the adequacy of an organization’s systems and the degree of compliance with established policies and procedures. Transit operators who make claims under Article 4 of the TDA in rural areas (such as Placer County outside of the Roseville-Auburn urbanized area) must maintain a minimum farebox recovery ratio of 10 percent, unless they achieved a higher ratio in the FY 1978-79 “base year.” PCTPA and Lincoln Transit have adopted the statewide minimum 10 percent farebox recovery ratio for transit services.

### PERFORMANCE AUDIT AND REPORT ORGANIZATION

The performance audit consisted of seven elements, including:

- ◆ Review of compliance requirements
- ◆ Follow-up review of prior performance audit recommendations
- ◆ Initial review of transit operator functions
- ◆ Verification and use of performance indicators
- ◆ Detailed review of transit operator functions
- ◆ Preparation of the draft Audit report
- ◆ Preparation and presentation of the final Audit report

### TRANSIT PROGRAM DESCRIPTION

Lincoln Transit Services (LTS) is the primary provider of public transit within city limits. Historically, LTS has included a deviated fixed-route service and a general public demand-response service. Lincoln Transit was started in the summer of 2000.

The transit program underwent significant changes consistent with a Short Range Transit Plan completed in April of 2009. In November of 2009, routes were revised and deviations were discontinued. Schedules were revised and simplified, which improved transfer opportunities. The current transit program is significantly different than the program operated during the audit period.

### **Lincoln Transit Fixed-Route Service**

The City of Lincoln provides fixed-route and demand response public transit service. As of November 16, 2009, the service includes two routes: the Downtown Circulator and Lincoln Loop. The Downtown Circulator operates throughout historic Downtown Lincoln and along Hwy 65 with stops near City Hall, commercial retail centers, Twelve Bridges Library, Twelve Bridges Medical Center, and Kaiser Permanente. Service hours are Monday through Friday (except holidays) from 6:30 AM to 5:30 PM. The Downtown Circulator connects with Placer County Transit's (PCT) Lincoln/Rocklin/Sierra College route at Twelve Bridges library. Although PCT's Lincoln Rocklin/Sierra College route includes a stop at 3rd and F St. in downtown Lincoln when LTS is not in service, no direct connections between PCT and LTS routes are possible in this location. The Lincoln Loop operates north of the ravine, with stops at many schools, parks, community centers, and other points of interest. Service hours are Monday through Friday (except holidays) from 7:00 AM to 6:00 PM.

Prior to these service changes and during the audit period, Lincoln Transit operated three fixed-route services, generally operating between 7:00 AM and 5:30 PM Monday through Friday. Buses deviated up to three-quarters of a mile from the scheduled route upon request from seniors or disabled persons. The three Lincoln Transit routes were as follows:

- ◆ Route 102 consisted of one run, departing at 7:00 AM.
- ◆ Route 202 consisted of eight runs per day, departing between 9:45 AM and 4:45 PM on hourly headways. Major stops include Target Center and Kaiser Center.
- ◆ Route 203 operated nine runs with departures between 8:45 AM and 4:45 PM on an hourly basis.

### **Lincoln Dial-A-Ride Services**

Lincoln Transit offers complementary paratransit service to individuals certified under the Americans with Disabilities Act (ADA) and seniors (age 60 and above). The program, which operates as a shared-ride, reservation-based service, provides curb-to-curb service to any location within a three-quarter mile radius of any Lincoln Transit route as well as the Del Webb community. With respect to ride requests, priority is given to ADA-certified individuals followed by seniors (defined as persons age 60 and above). Use of the Dial-A-Ride service by the general public is available solely on a space-available basis. The service operates Monday through Friday, from 7:00 AM. to 6:00 PM.

## Lincoln Transit Operating and Financial Statistics

The operating statistics presented in Table 1 are based on data taken from annual State Controller Reports, annual TDA Fiscal and Compliance Audits, and data provided by Lincoln Transit. It should be noted that data from these different sources do not always agree. This report notes below those instances where discrepancies were discovered.

Table 1 and Figure 1 present annual ridership data for Lincoln Transit services during the audit period. As shown, ridership decreased by 10.7 percent during the audit period. All data in this table was taken from State Controller Reports, which varies from internal Lincoln Transit statements. Lincoln Transit reports 30,730 one-way passenger-trips while the State Controller Reports shows 37,110 for the FY 2006-07. Ridership data for FYs 2007-08 and 2008-09 is consistent from the varied sources.

Table 1 and Figure 2 present annual vehicle revenue hour data for Lincoln Transit services, as reported in the annual State Controller Reports. Lincoln Transit operated approximately four percent fewer revenue hours each year of the audit period. Again, discrepancies exist between internal Lincoln Transit reports and State Controller Report data in the first year of the audit period. Further, data presented in the State Controller Report for FY 2008-09 was incorrect, reporting a total of 54,479 hours rather than the internally reported 7,725.

Table 1 and Figure 3 present annual vehicle revenue miles data for Lincoln Transit services during the audit period, as reported in the annual State Controller Reports. Lincoln Transit vehicle miles increased by 6.7 percent during the second year of the audit period only to decrease by 6.4 percent the third year of the audit period. Discrepancies exist between internal Lincoln Transit reports and State Controller Report data in the FY 2006-07. The discrepancy was quite substantial, with the State Controller Report showing a total of 109,686 miles and Lincoln Transit reporting 85,526 miles.

### Data Collection Methods

Six performance measures must be reported in a Triennial Performance Audit report:

- ◆ Annual Operating Cost
- ◆ Annual Passenger Count
- ◆ Annual Vehicle Revenue Hours
- ◆ Annual Vehicle Revenue Miles
- ◆ Annual Employee Hours
- ◆ Annual Fare Revenue

Data for the current audit period was obtained from State Controller Reports or TDA Fiscal and Compliance Audits as noted below. It should be noted that Lincoln Transit maintains an on-going database of operating data collected and reported monthly.

The **Operating Cost** data is reported in Table 1 and Figure 4. These data were obtained from annual Fiscal Audits and include total operating expenses for each object class as presented in the Chart of Accounts for the Uniform System of Accounts and Records. According to Section 99247(a), operating costs include all costs except depreciation, direct costs for charter services and vehicle lease costs. Extension of service can be excluded per Section 6633.8. During the audit period, Lincoln Transit did not exclude costs associated with providing charter service form

**TABLE 1: Lincoln Transit Services Performance Measures**

Performance Measure	2006-07	2007-08	2008-09
<b>One-Way Passenger-Trips<sup>1</sup></b>	37,110	36,806	33,136
% Change from Previous Year	--	-0.8%	-10.0%
<b>Vehicle Revenue Hours<sup>1,2</sup></b>	8,429	8,071	7,725
% Change from Previous Year	--	-4.2%	-4.3%
<b>Vehicle Revenue Miles<sup>1,3</sup></b>	85,526	91,237	85,438
% Change from Previous Year	--	6.7%	-6.4%
<b>Operating Costs<sup>4</sup></b>	\$768,022	\$952,529	\$1,011,451
% Change from Previous Year	--	24.0%	6.2%
<b># Employees<sup>5</sup></b>	7.0	5.0	6.0
% Change from Previous Year	--	-28.6%	20.0%
<b>Farebox Revenues<sup>6</sup></b>	\$25,084	\$28,361	\$24,654
% Change from Previous Year	--	13.1%	-13.1%
<b>Operating Cost per One-Way Passenger-Trip<sup>7</sup></b>	\$20.70	\$25.88	\$30.52
% Change from Previous Year	--	25.0%	17.9%
<b>Operating Cost per Vehicle Revenue Hour<sup>7</sup></b>	\$91.12	\$118.02	\$130.93
% Change from Previous Year	--	29.5%	10.9%
<b>Passengers per Vehicle Revenue Hour<sup>7</sup></b>	4.40	4.56	4.29
% Change from Previous Year	--	3.6%	-5.9%
<b>Passengers per Vehicle Revenue Mile<sup>7</sup></b>	0.43	0.40	0.39
% Change from Previous Year	--	-7.0%	-3.9%
<b>Vehicle Revenue Hours per Employee<sup>7</sup></b>	1,204	1,614	1,288
% Change from Previous Year	--	34.1%	-20.2%
<b>Farebox Recovery Ratio<sup>7</sup></b>	3.3%	3.0%	2.4%
% Change from Previous Year	--	-8.8%	-18.1%

Note 1: From State Controllers Reports.

Note 2: Data for vehicle hours incorrectly reported as 54,479 in State Controllers Reports 2008-09; used internal data instead.

Note 3: Data for vehicle miles incorrectly reported as 109,686 in State Controllers Reports 2006-07; used internal data instead.

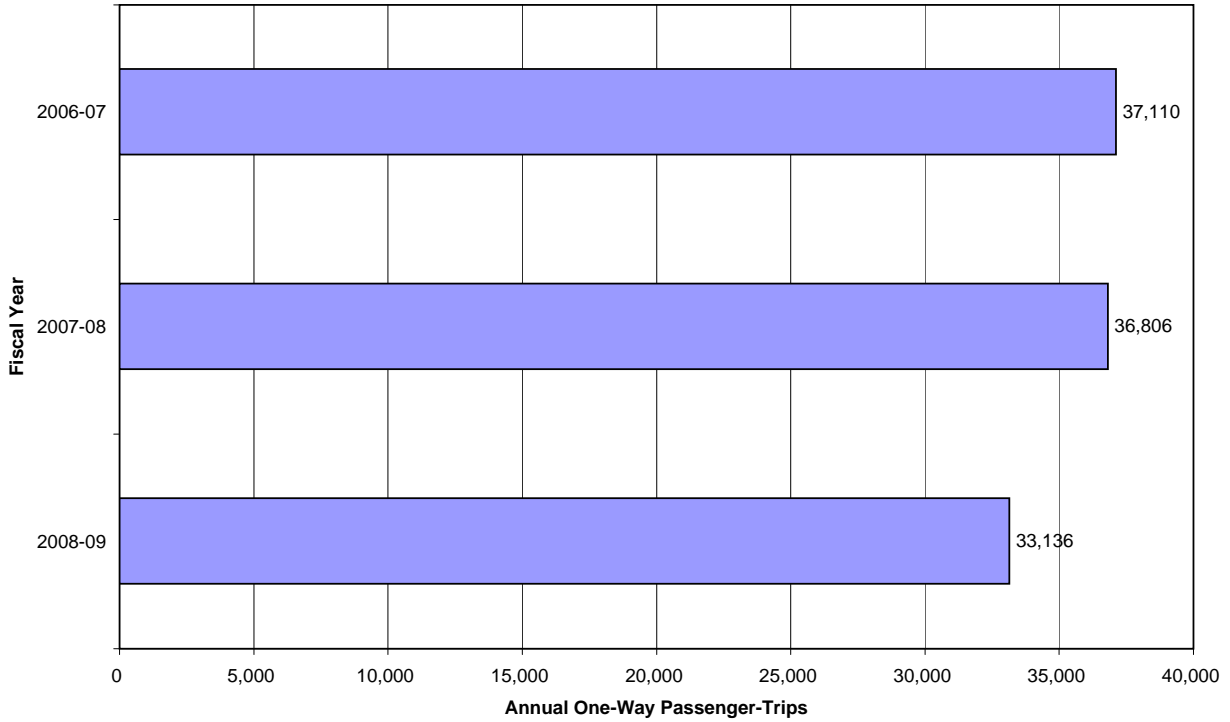
Note 4: Data from TDA Fiscal and Compliance Audits adjusted to include indirect costs.

Note 5: Internal Lincoln Transit Data

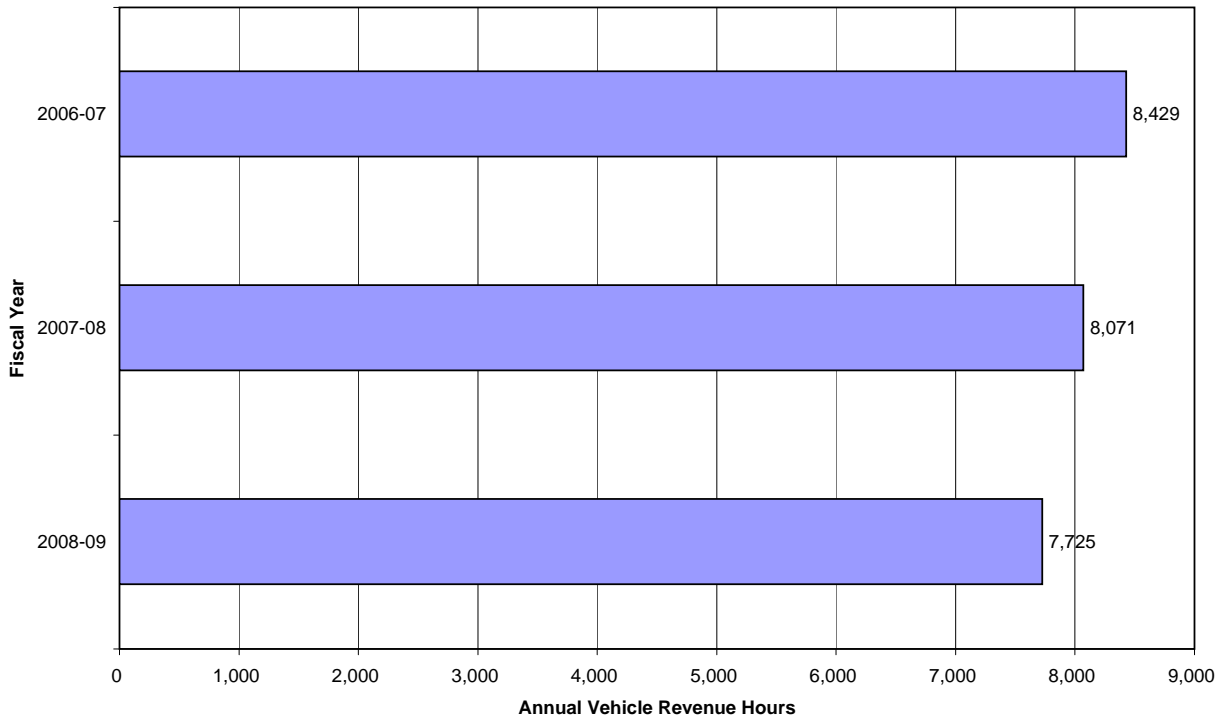
Note 6: Data from TDA Fiscal and Compliance Audits adjusted to exclude Charter revenue.

Note 7: Calculated from data provided in this table.

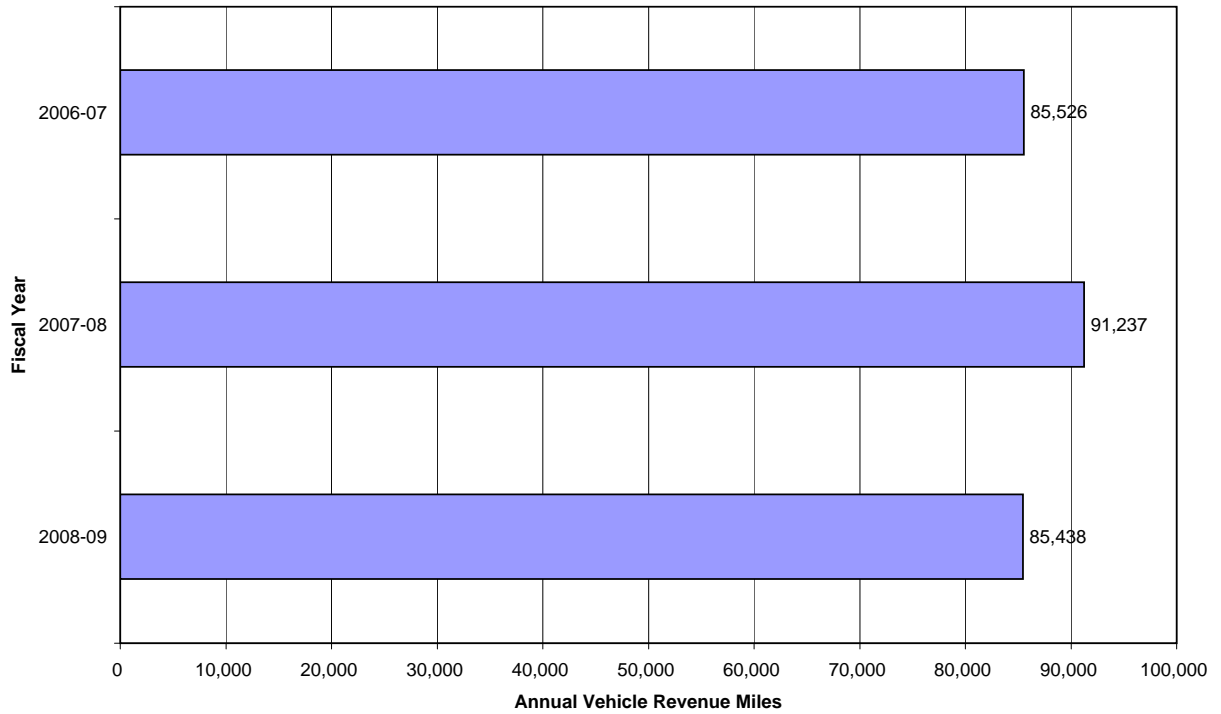
**FIGURE 1: Lincoln Transit Systemwide  
Annual One-Way Passenger-Trips**



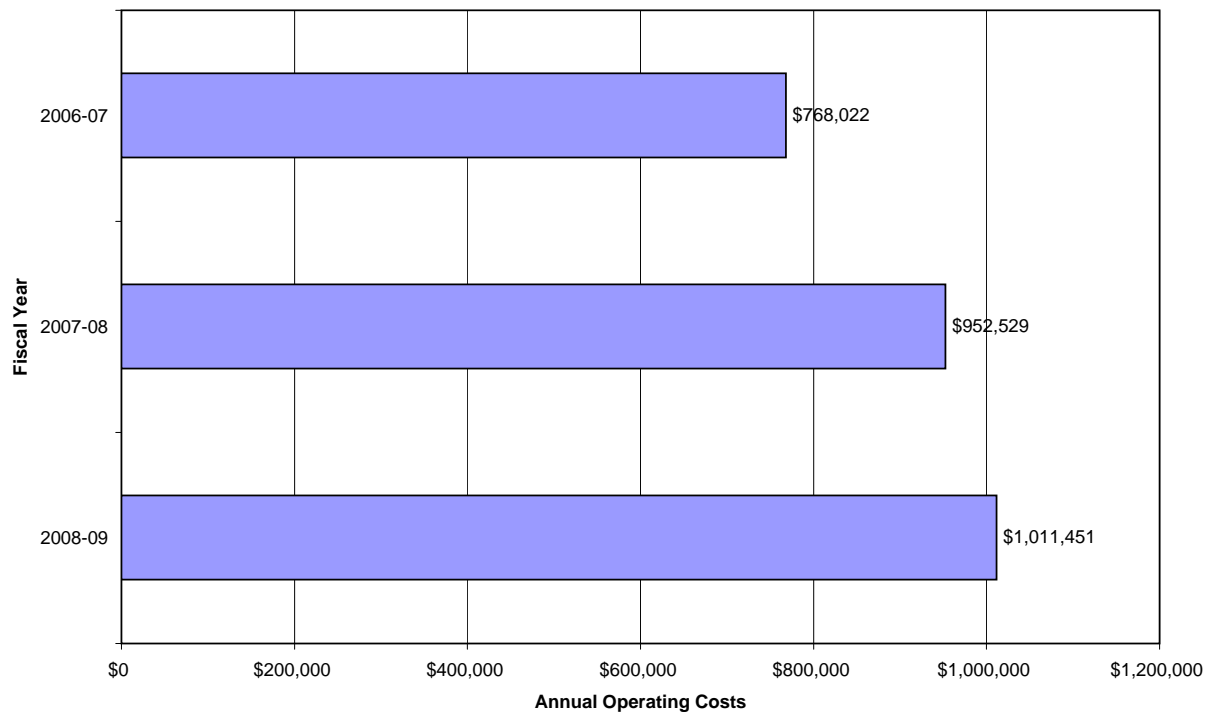
**FIGURE 2: Lincoln Transit Systemwide  
Annual Vehicle Revenue Hours**



**FIGURE 3: Lincoln Transit Systemwide  
Annual Vehicle Revenue Miles**



**FIGURE 4: Lincoln Transit Systemwide  
Annual Operating Costs**



total operating costs calculations. Therefore Lincoln Transit did not calculate operating costs in accordance with TDA definitions. The fiscal auditor's tests of the Lincoln Transit's financial statements disclosed no instance of noncompliance that would be required to be reported under Government Auditing Standards.

The **Passenger Count** data is presented in Table 1 and Figure 1. This data was obtained from State Controller Reports. As mentioned above, there was a slight discrepancy for FYs 2006-07 and 2007-08 data reported in annual State Controller Reports and internal reports.

The **Vehicle Revenue Hour** data was reported in Table 1 and Figure 2. These data were obtained from State Controller Reports. The definition of a vehicle revenue hour as currently used by Lincoln Transit is consistent with the definition presented in Appendix B of the *Performance Audit Guidebook*. However, as mentioned above, some discrepancies exist between the vehicle revenue hour data maintained in internal Lincoln Transit reports and the data that was reported in the annual State Controller submittals during the Audit period.

The **Vehicle Revenue Mile** data was reported in Table 1 and Figure 3. As noted above, data was obtained from State Controller Reports. The definition of a vehicle revenue mile as currently used by Lincoln Transit is consistent with the definition presented in Appendix B of the *Performance Audit Guidebook*. As mentioned above, discrepancies exist between the vehicle revenue mile data maintained in Lincoln Transit internal reports and the data that was reported in the annual State Controller Reports during the Audit period.

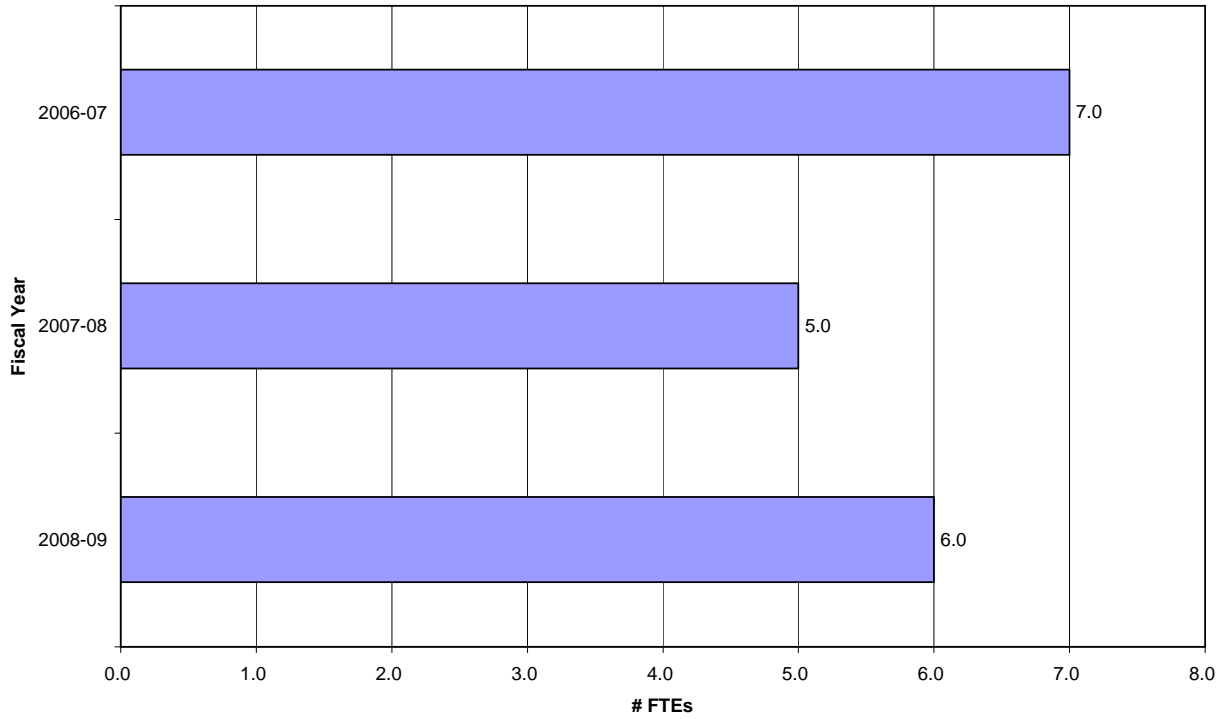
The **Employee Hours** data presented in Table 1 and Figure 5 was obtained from internal Lincoln Transit data and confirmed at a site visit. The Full-Time Equivalent (FTE) definition currently used by Lincoln Transit is consistent with the definition presented in Appendix B of the *Performance Audit Guidebook*.

The **Fare Revenue** data presented in Table 1 and Figure 6 was obtained from annual TDA Fiscal and Compliance Audit reports (with adjustments, as explained below). PUC Section 99205.7 states that fare revenues are defined in Revenue Object Classes 401, 402, and 403, as specified in Section 630.12 of Title 49 of the Code of Federal Regulations:

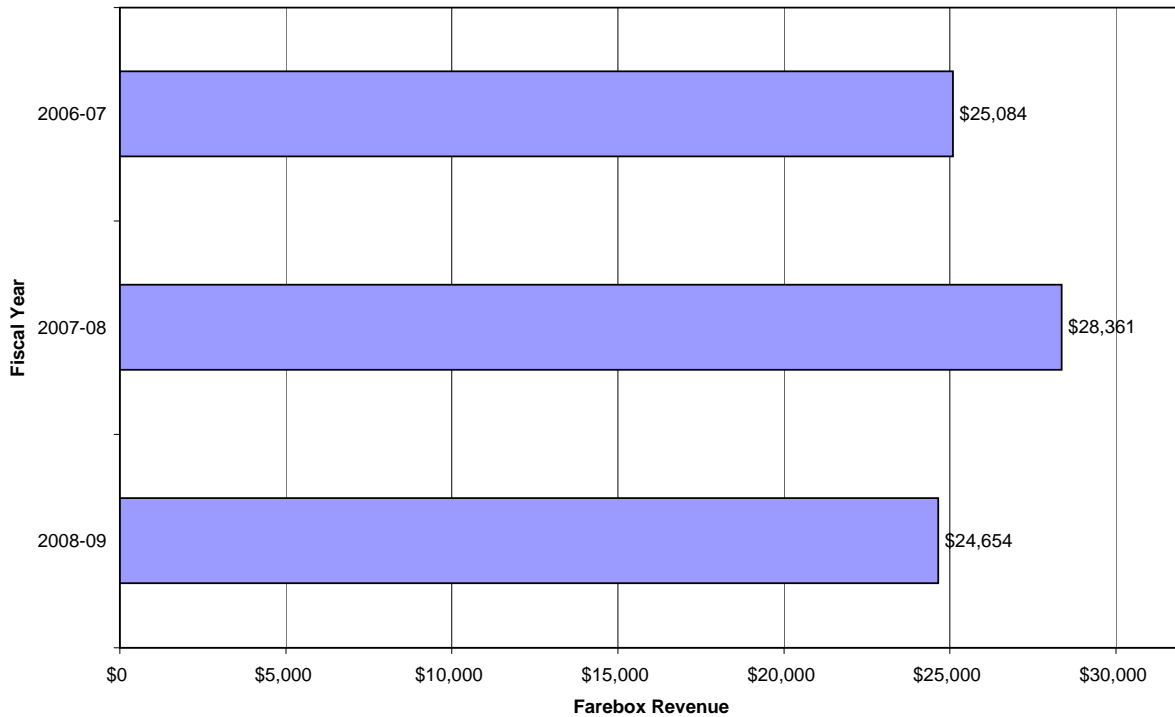
- ◆ Object Class 401 revenues include full adult, senior, student, child, handicapped, park & ride lot revenues (must be operated by transit operator), special and reduced fares collected from passengers.
- ◆ Object Class 402 revenues include guaranteed revenues collected from an organization rather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

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

**FIGURE 5: Lincoln Transit Systemwide  
Number of Full-Time Equivalent Employees**



**FIGURE 6: Lincoln Transit Systemwide  
Annual Farebox Revenues**



minimum revenue on a line operated especially for the benefit of the paying entity (e.g. an employer, shopping center, university, etc.), or (3) cash donations made by individual passengers in lieu of a prescribed fare. Fare revenue does not include other donations or general operating assistance, whether from public or private sources. However, neither charter nor advertising revenues can be included in the fare revenue category and neither can count toward the farebox recovery ratio calculation. Fare revenue in the TDA Fiscal and Compliance audits incorrectly included charter revenues, and therefore data in the tables were corrected to exclude charter revenues. The State Controller Reports correctly omit the charter revenue when calculating the farebox ratio for all three audit years.

### Calculation and Evaluation of Performance Indicators

Using the data described above, the following performance indicators were calculated as required in Section 99246(d) of the PUC:

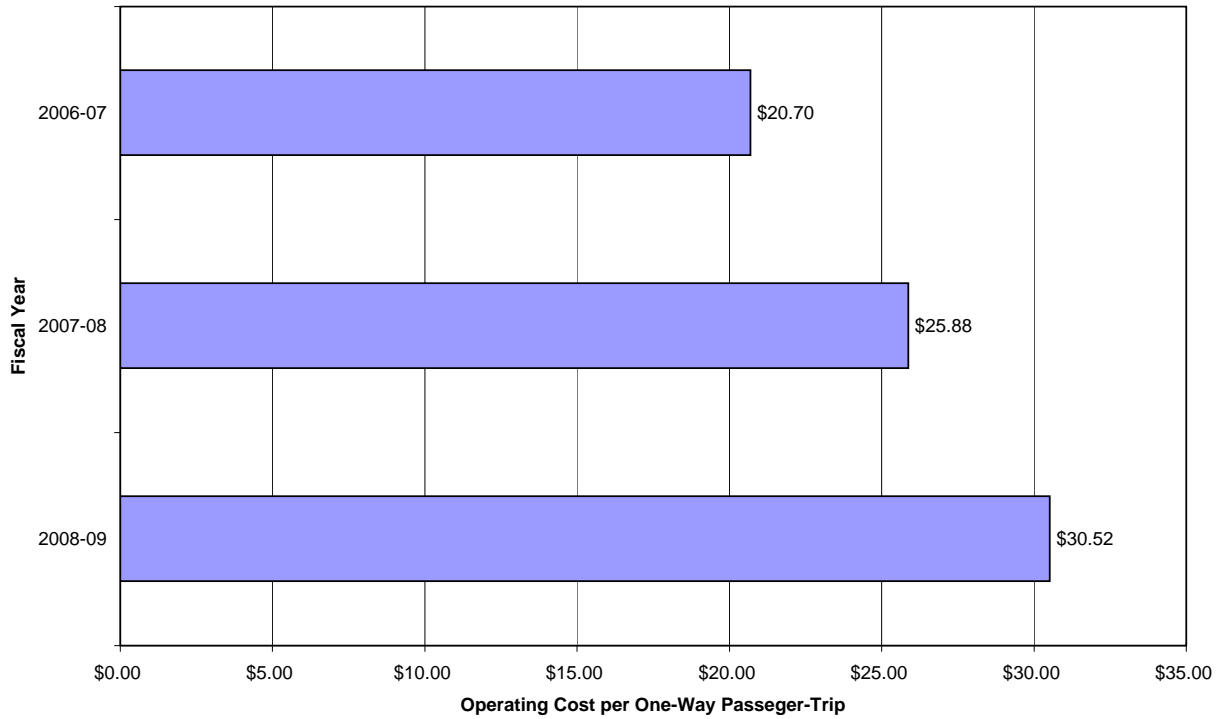
- ◆ Operating Cost per Passenger
- ◆ Operating Cost per Vehicle Revenue Hour
- ◆ Passengers per Vehicle Revenue Hour
- ◆ Passengers per Vehicle Revenue Mile
- ◆ Vehicle Revenue Hours per Employee

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

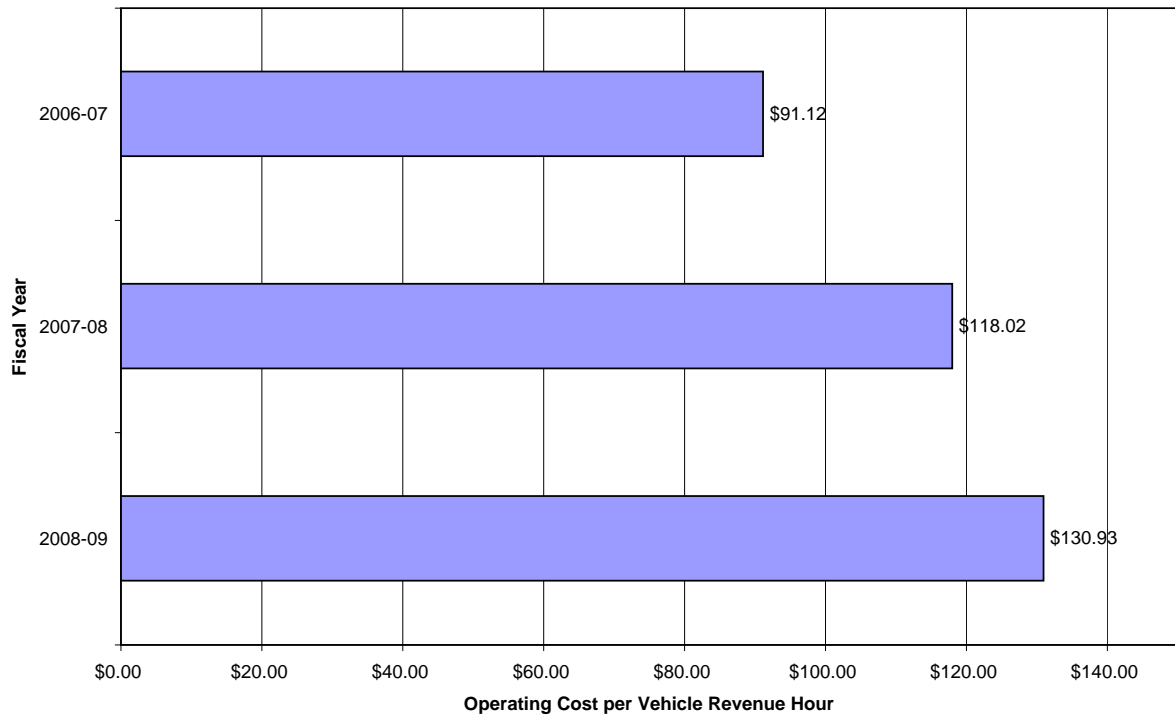
The **Operating Cost per (One-way) Passenger-trip** data is presented in Table 1 and Figure 7. This performance measure is a key indicator of a transit system's cost effectiveness. According to the available data, the operating cost per one-way passenger-trip increased during each of the reporting years as operating costs increased and passenger-trips decreased. Furthermore, the cost per passenger-trip, which ranges from \$20.70 to \$30.52, is much higher than other transit systems in Placer County. Auburn Transit, for instance, had an operating cost per one-way passenger-trip ranging from \$6.30 to \$8.26 per passenger-trip during the same period, and Placer County Transit had an operating cost per one-way passenger-trip ranging from \$10.11 to \$10.78. As noted above, Lincoln Transit did not deduct operating costs associated with the provision of charter services and therefore operating cost figures in Table 1 are higher than the actual cost of non-charter transit service. Nevertheless, Lincoln Transit's high operating costs per passenger-trip, which are two to four times higher than these peers, indicate significant cost ineffectiveness during the audit period.

The **Operating Cost per Vehicle Revenue Hour** data is presented in Table 1 and Figure 8. This performance measure is a key indicator of a transit system's cost efficiency. The operating cost per vehicle revenue hour increased 43.7 percent over the Audit period as a result of rapidly increasing operating costs and decreasing service hours. A decrease in service hours tends to increase the operating cost per vehicle revenue hour, as fixed costs are spread over a smaller number of hours.

**FIGURE 7: Lincoln Transit Systemwide  
Operating Cost per One-Way Passenger-Trip**



**FIGURE 8: Lincoln Transit Systemwide  
Operating Cost per Vehicle Revenue Hour**



The **Passengers per Vehicle Revenue Hour** (commonly referred to as “productivity”) is presented in Table 1 and Figure 9. As presented, productivity varied during the Audit period, increasing in FY 2007-08 and declining again in FY 2008-09. As depicted in Table 1, Lincoln Transit decreased the annual number of vehicle revenue hours operated while ridership was decreasing, resulting in an overall slightly reduced productivity. For rural fixed-route services, a productivity ratio of ten passengers per vehicle revenue hour is considered good. In the audit period, Lincoln Transit services carried less than five passengers per vehicle hour.

The **Passengers per Vehicle Revenue Mile** data is presented in Table 1 and Figure 10. As presented, passengers per vehicle revenue mile varied during the Audit period, increasing in FY 2007-08 and decreasing the following year. Similar to the discussion above, declining annual vehicle revenue miles combined with decreasing annual ridership resulted in a slightly reduced number of passengers per vehicle revenue mile over the audit period.

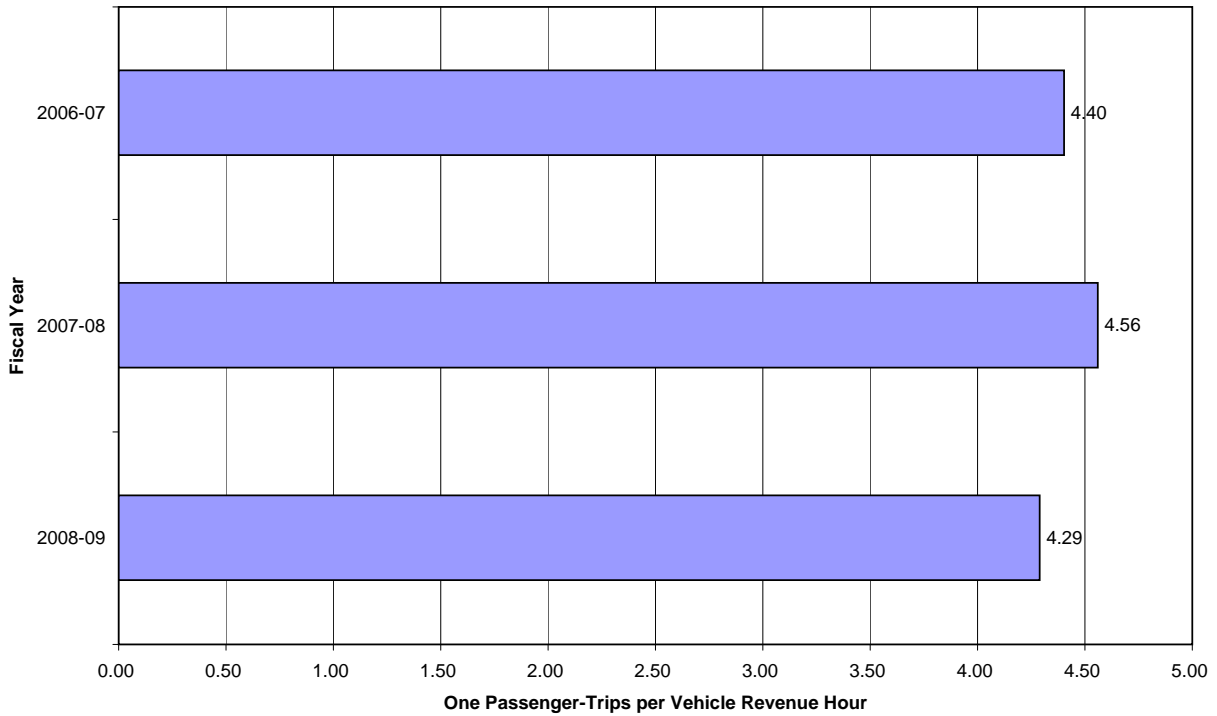
The **Vehicle Service Hours per Employee** data is presented in Table 1 and Figure 11. As presented, the number of vehicle revenue hours per full-time employee equivalent increased in FY 2007-08, then decreased in FY 2008-09, with an average of 1,370 vehicle revenue hours per full time employee equivalent during the audit period. This figure is higher than Lincoln’s peers in Placer County.

The **Farebox Recovery Ratio** data is presented in Table 1 and Figure 12. As mentioned, the farebox recovery ratio was calculated differently in varying reports, with miscalculations resulting from either incorrectly calculated operating costs or incorrectly calculated fare revenues. For example, for all three years of the audit period, when calculating the farebox return ratio the fiscal auditor incorrectly deducted indirect expenses (charges from other city departments) from operating costs, thereby showing a higher farebox return ratio. Additionally, Lincoln Transit and the fiscal auditor did not exclude charter expenses from total operating costs. The farebox recovery ratio was corrected in Table 1 and Figure 12, to reflect the inclusion of indirect expenses. However, charter expenses were unknown and therefore not deducted from the figures in Table 1. Regardless of the adjustments to farebox ratio calculations, it is clear Lincoln Transit operated substantially below the mandated 10 percent farebox recovery ratio as required by the TDA. As noted below in this audit, TDA allows for the exemption of operating costs and fare revenue associated with new or extended transit services from the farebox ratio calculation. This accounting method could be beneficial for Lincoln Transit, particularly as new services have recently been implemented.

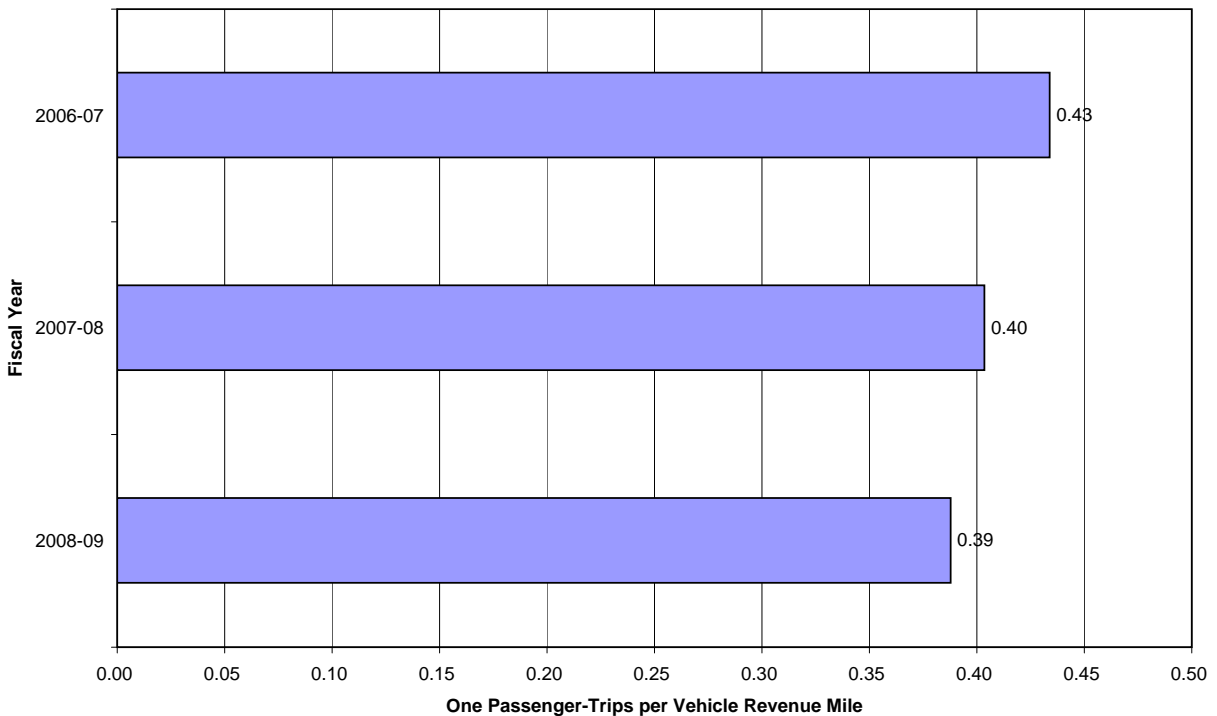
### Recommendations on Data Collection

As noted above, discrepancies exist between the operational data maintained in internal Lincoln Transit reports, the TDA Fiscal and Compliance Audit Reports and the data reported in the annual State Controller Report submittals. In the future, any revisions to the operational and/or financial data that are required subsequent to the submittal to the State Controller’s office should be noted in writing and maintained in a file so that subsequent Triennial Performance Auditors can determine the reasons for discrepancies (if any) in the data.

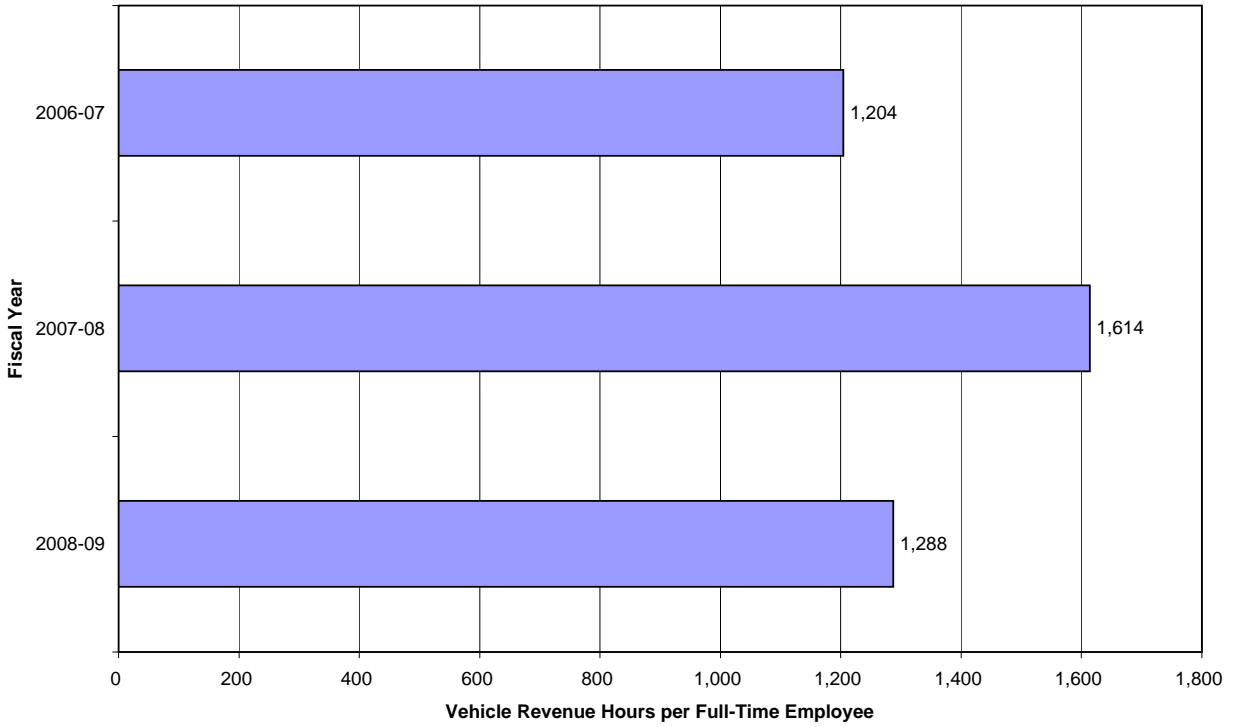
**FIGURE 9: Lincoln Transit Systemwide  
One-Way Passenger-Trips per Vehicle Revenue Hour**



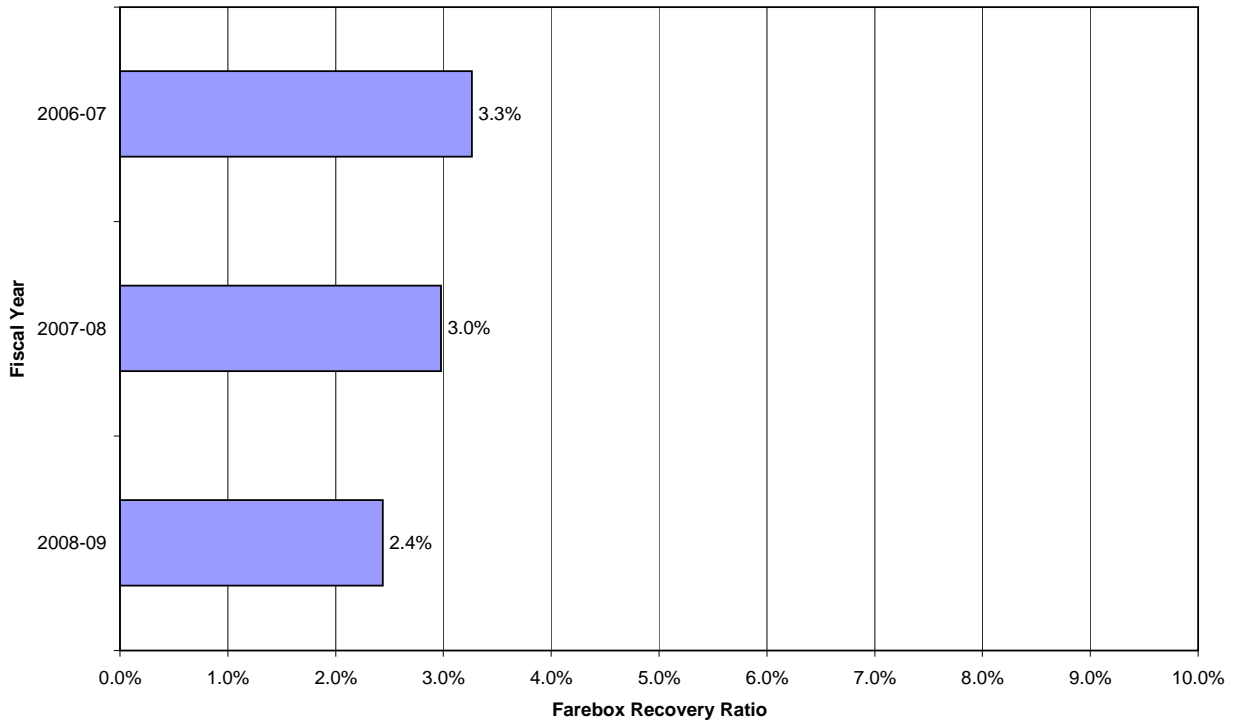
**FIGURE 10: Lincoln Transit Systemwide  
One-Way Passenger-Trips per Vehicle Revenue Mile**



**FIGURE 11: Lincoln Transit Systemwide  
Vehicle Revenue Hours per Full-Time Employee**



**FIGURE 12: Lincoln Transit Systemwide  
Farebox Recovery Ratio**



Despite the differences in the data sets, it is the auditor's opinion that it would not be beneficial to commit limited staff resources to research and reconcile these differences, particularly because the service and management of the transit system has since changed. One factor that contributes to the variances in data during the audit period is that staff from Lincoln Transit, as well as at R.J. Ricciardi Certified Public Accountants, appeared to misunderstand which data should correctly be included in reports. Rather than correct past mistakes, it would be beneficial for Lincoln Transit staff and their contracted auditors to understand the correct methods for calculating operating costs and fare revenue ratios; namely, that (1) charter revenues are not to be included in farebox revenues when calculating the farebox return ratio and (2) charter expenses are not to be included in operating expenses, but (3) indirect expenses such as charges from fleet maintenance and administrative services are to be included as operating expenses.

Large discrepancies in vehicle service hour and mile calculations between internal reports and the State Controller Reports indicate possible careless errors in data reporting. It would be worthwhile for the Transit Supervisor to review the reports for accuracy after completion by accounting or administrative services staff. In addition, on an annual basis notes should be made in the data files that reconcile any differences between internal reports and data forwarded for inclusion in the State Controller Reports.

## **TDA REQUIREMENTS**

As an entity receiving TDA funds for transit purposes, Placer County is required to comply with the state's financial and reporting guidelines detailed in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities* pursuant to TDA requirements. The following is a compilation of the financial and reporting requirements applicable to the operating procedures of Lincoln Transit services.

## **REVIEW OF COMPLIANCE REQUIREMENTS**

Below is a discussion of each compliance section required in PUC 99246 as part of the Triennial Performance Audit. Each of these compliance requirements is also summarized in Table 2.

1. In violation of PUC Section 99243, Lincoln Transit submitted annual reports to the PCTPA based upon the Uniform System of Accounts and Records established by the State Controller past the 90 day deadline in 2006-07 and 2007-08. In accordance with PUC Section 99243, the 2008-09 report was submitted in a timely manner.
2. Lincoln Transit did not submit annual TDA Fiscal and Compliance audits to the PCTPA and to the State Controller within 180 days following the end of the fiscal year for any year in the audit period (even if a 90 day extension was granted) per PUC Section 99245. The FY 2006-07 and FY 2007-08 TDA Fiscal and Compliance Audits; were submitted more than a year after the end of the fiscal year. The FY 2008-09 audit was submitted shortly after the expiration of the 90 day extension. An independent auditor completed these TDA Fiscal and Compliance audits, as required.

**TABLE 2: Transit Operator Compliance Requirements - Lincoln Transit**

Requirement	PUC Reference	In Compliance?	
		Y/N	Comments
(1) The transit operator submitted annual reports to the RTPE based upon the Uniform System of Accounts and Records established by the State Controller within the specified time period.	99243	N N Y	State Controllers Reports were submitted on: 2006-07 on 11/30/07 2007-08 on 1/6/09 2008-09 on 10/19/09
(2) The operator has submitted annual fiscal and compliance audits to its RTPE and to the State Controller within 180 days following the end of the fiscal year, or has received the 90-day extension allowed by law.	99245	N N N	TDA Fiscal Audits submitted as required: 2006-07 on 7/9/08 2007-08 on 9/9/09 2008-09 on 4/26/10
(3) The CHP has, within the 13 months prior to each TDA claim submitted by an operator certified the operator's compliance with Vehicle Code Section 1808.1 following CHP inspection of the operator's terminal.	99251 b	Y	CHP Reports were signed with a "Satisfactory" rating 3/2/06; 8/8//07 and 8/13/08
(4) The operator's claim for TDA funds is submitted in compliance with rules and regulations adopted by the RTPE for such claims.	99261	Y	Lincoln Transit submits TDA claims in compliance with rules and regulations established by the PCPTA.
(5) If an operator serves urbanized and non-urbanized areas, it has maintained a ratio of fare revenues to operating costs at least equal to the ratio determined by the rules and regulations adopted by the RTPA.	99270.1	NA	Lincoln Transit serves only rural areas.
(6) The operator's operating budget has not increased by more than 15 percent over the preceding year, nor is there a substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities.	99266	N	Costs increased by 24% from 2006 to 2007.
(7) The operator's definitions of performance measures are consistent with Public Utilities Code Section 99247.	99247	N	Operating costs and fare revenue were not calculated correctly.
(8) If the operator serves an urbanized area, it has maintained a ratio of fare revenue to operating cost at least equal to one-fifth (20 percent), unless it is in a county with a population of less than 500,000, in which case it must maintain a ratio of at least three-twentieths (15 percent).	99268.2, 99268.3, and 99268.1	NA	Lincoln Transit is not currently urbanized.
(9) If the operator serves a rural area, it has maintained a ratio of fare revenues to operating costs at least equal to one-tenth (10 percent).	99268.2, 99268.4, 99268.5	N N N	2006-07 = 3.3% 2007-08 = 3.0% 2008-09 = 2.5%
(10) The current cost of operator's retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing a plan approved by the RTPE, which will fully fund the retirement system for 40 years.	99271	Y	The City participates in the State of California PERS for its employee retirement through the City of Lincoln employee benefit program.
(11) If the operator receives state transit assistance funds, the operator makes full use of funds if available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted.	California Code of Regulations, Section 6754 (a) (3)	Y	

Source: LSC Transportation Consultants, Inc.

3. In accordance with PUC Section 99251, Lincoln Transit has submitted evidence that the California Highway Patrol has certified compliance with Vehicle Code Section 1808.1 within the 13 months prior to each TDA claim submitted.
4. In accordance with PUC Section 99261, Lincoln Transit's claims for TDA funds are submitted in compliance with rules and regulations adopted by the PCTPA for such claims.
5. Lincoln Transit does not serve both urbanized and non-urbanized areas, and is therefore not subject to the regulations regarding farebox ratio as found in PUC Section 99270.1.
6. PUC Section 99266 requires that Lincoln Transit's operating budgets not increase by more than 15 percent over the preceding year, and no substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities be realized unless the operator has reasonably supported and substantiated the change(s). See Table 1 and Figure 4 for actual operating costs between FYs 2006-07 and 2008-09. During the Audit period, annual operating costs for all Lincoln Transit services increased substantially in FY 2007-08, by roughly 24 percent. Reviewing line item expense details reported in the TDA Fiscal and Compliance Audit, shows that costs increased almost across the board, with only insurance decreasing. In particular, fuel and maintenance costs increased 57 percent, from \$171,055 in 2006-07 to \$269,442 in 2007-08, and these cost increases were unforeseeable. However, in FY 2008-09, operating costs only increased by 3.9 percent.
7. Lincoln Transit's definitions of performance measures are not consistent with PUC Section 99247. As noted above, operating costs and fare revenue were not calculated correctly in all data sources.
8. As Lincoln Transit does not serve an urbanized area it is therefore not subject to the TDA clause requiring maintenance of farebox ratio of at least 20 percent, per PUC Sections 99268.2, 99268.3 and 99268.1. However, it should be noted that as part of the 2010 Census, the City of Lincoln may be included in the Sacramento Urbanized Area.
9. Lincoln Transit is required to maintain a ratio of fare revenues to operating costs at least equal to one-tenth (10 percent), as detailed in PUC Sections 99268.2, 99268.4, and 99268.5. As presented in Table 1 and Figure 12 above, Lincoln Transit did not meet the minimum 10 percent farebox recovery ratio requirement in any fiscal year during the audit period. The farebox recovery ratio was between 2.4 and 3.3 percent during the audit period.
10. The City of Lincoln offers a retirement plan to its transportation employees, including Lincoln Transit staff, through the California Public Employees Retirement System. Per documents provided by the transit system, the retirement system is fully funded and is in compliance with PUC Section 99271.

11. In accordance with California Code of Regulations Section 6754(a)(3), Lincoln Transit makes full use of funds if available to it under the Urban Mass Transportation Act of 1964 (in particular, FTA Section 5311 Non-Urbanized Area Formula Program funds and FTA Section 5310 Elderly Individuals and Individuals with Disabilities Program funds administered by Caltrans) before TDA claims are granted.

## STATUS OF PRIOR AUDIT RECOMMENDATIONS

The previous audit was completed by Moore & Associates, and the recommendations from that effort are enumerated below and depicted in Table 3.

<b>TABLE 3: Status of Prior Performance Audit Recommendations for Lincoln Transit</b>		
	<b>Prior Recommendation <sup>1</sup></b>	<b>Current Status</b>
(1)	The City should designate a single point-of-contact for transit program oversight.	<b>Implementation Begun:</b> An interim Transit Supervisor reports to the Public Services Director and the Transit Operator is working to clarify jobs and duties.
(2)	The City should undertake an update of the city's SRTP. Maintain a proactive stance throughout the project. Adopt the final report and establish an implementation for SRTP recommendations.	<b>Implemented:</b> In April 2009, a SRTP was completed, including a detailed implementation schedule.
(3)	Report ridership and other operating data completely and accurately (segregated by mode).	<b>Implement Begun:</b> Separated by mode for operating data, not financial data.
(4)	Comply with federal notification procedures regarding usage of TDA-funded vehicles for charter service. Achieve full recovery of the cost of the service.	<b>Implemented:</b> Lincoln Transit no longer operates charter service in order to comply.
(5)	Institute timely submittal of mandated reports to State and RTPA. Institute timely submittal of TDA claims.	<b>Not Implemented:</b> During the audit period, Lincoln Transit continued to submit reports to the State Controllers Office past the 180 day deadline, as well as past the 90 day extension.
(6)	Record accurate fleet data by fiscal year (including VIN, year, make/model, and mileage at the end of each fiscal year for each vehicle).	<b>Implementation Begun-</b> Current data includes mileage to date, not annually; no VIN included.
(8)	Monitor farebox recovery. Utilize the SRTP process to identify strategies for enhancing farebox revenue.	<b>Implementation Begun:</b> The SRTP included strategies which are intended to improve the Farebox Return Ratio. However, the SRTP was completed after the audit period and the farebox ratio cannot yet be evaluated.
<p>Note 1: Prior Triennial Performance Audit completed by Moore &amp; Associates in May, 2007. Recommendations are numbered to reflect those in the prior report (no number 7). All were given a "high" priority.</p> <p>Source: LSC Transportation Consultants, Inc.</p>		

1. The City should designate a single point-of-contact for transit program oversight.

Status: **Implementation Begun** – The City of Lincoln has an interim Transit Supervisor who reports directly to the interim Public Services Director and who oversees day-to-day operations of the transit system and data collection and reporting. The City of Lincoln has yet to determine final classification of this position, but is working toward clarifying duties and responsibilities of transit staff. The Transit Supervisor is currently working to implement the SRTP. There continues to be some confusion as to who is responsible for maintaining financial data. Having a single point-of-contact for transit program oversight is still recommended, particularly to maintain budget control.

2. The City should undertake an update of the City’s SRTP. Maintain a proactive stance throughout the project. Adopt the final report and establish an implementation timeline for STRP recommendations.

Status: **Implementation Completed** – In April 2009, Lincoln Transit obtained the services of Moore & Associates to complete an updated SRTP, per the Audit recommendation. This report included a detailed implementation schedule, as suggested.

3. Report ridership and other operating data completely and accurately (segregated by mode).

Status: **Implementation Completed** – Per the prior Audit recommendation, Lincoln Transit has begun collecting ridership and operating data separately for fixed-route and demand response service. Ridership, vehicle mile and vehicle hour data is now filed with the State Controller separated by mode. However, financial data is still collected on a systemwide basis and should also be provided by mode.

4. Comply with federal notification procedures regarding usage of TDA-funded vehicles for charter service. Achieve full recovery of the cost of the service.

Status: **Implementation Completed** – During the audit period, Lincoln Transit provided charter service. However, discussions with staff at the on-site interview indicated that Lincoln Transit has now adopted a policy to no longer offer such services.

5. Institute timely submittal of mandated reports to state and RTPA. Institute timely submittal of TDA claims.

Status: **Implementation Not Begun** – Lincoln Transit continues to submit mandated reports past established deadlines. PCTPA indicated that TDA claims from Lincoln Transit were not consistently submitted in a timely manner. This recommendation is therefore carried forward to the current performance audit.

6. Record accurate fleet data by fiscal year (including VIN, year, make/model, and mileage at the end of each fiscal year for each vehicle).

Status: **Implementation Not Completed** – While fleet data was provided for this Audit, it only included mileage as of the date the data was obtained. Further, data did not include the VIN or the mileage at the end of each fiscal year. In order to fully comply with this prior Audit recommendation, Lincoln Transit should record mileage records of each fleet vehicle every fiscal year.

8. Monitor farebox recovery. Utilize the SRTP process to identify strategies for enhancing farebox revenue.

Status: **Implementation in Progress**- As shown in Table 1, the farebox recovery ratio has not substantially improved, and Lincoln is still not meeting the 10 percent TDA requirement. However, the SRTP was not completed until 2009, despite the prior recommendation that it be completed in FY 2007-08. Given this, it is assumed that implementation of the prior recommendation to monitor farebox recovery is in progress, as adequate time has not elapsed to reveal any improvements in farebox generated by suggestions in the 2009 SRTP.

## **INITIAL REVIEW OF TRANSIT OPERATOR FUNCTIONS**

### **Assessment of Internal Controls**

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

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

Lincoln Transit appears to be improving its system of internal controls appropriate to the size of the transit system. This statement is echoed in each of the three annual Independent Auditor's Reports completed by R.J. Ricciardi Certified Public Accountants.

## **DETAILED REVIEW OF TRANSIT OPERATOR FUNCTIONS**

This section presents a review of the various functions of Lincoln Transit. Since functions of each transit operator in California will vary depending upon the scope and breadth of its operations, not all parts of this section will apply to Lincoln Transit. In general, transit operator functions can be divided into the following areas:

- ◆ General Management and Organization
- ◆ Service Planning
- ◆ Scheduling, Dispatch and Operations
- ◆ Personnel Management and Training

- ◆ Administration
- ◆ Marketing and Public Information
- ◆ Maintenance

## **General Management and Organization**

Day-to-day operations of Lincoln Transit are overseen by the full-time interim Transit Supervisor who reports directly to the interim Public Services Director. The Transit Supervisor is housed in the same office building as the Public Services Director facilitating regular communication. The Public Services Department holds weekly meetings wherein transit is discussed. The Transit Supervisor is accessible to all drivers by cell phone and works closely with the Transit Assistant who acts as a driver supervisor. Communication between the Transit Supervisor and drivers is through daily postings on a message board and through daily computer messages. The Transit Supervisor also sees each driver in person as they clock in.

The Transit Supervisor is responsible for data entry, tracking operational data, and over-seeing driver operations, maintenance scheduling and other day-to-day activities. The Transit Supervisor has regular access to budget data in order to monitor performance and provide budget control, as well as to prepare quarterly reporting. All transit functions (administrative, dispatch, operations, and maintenance) are performed in-house.

The City Council is the policymaking body for Lincoln Transit. The City Council appoints four residents to the Transit Advisory Committee (TAC). The TAC advises the Council on appropriate transit routes and services, long and short term transit plans, rates, schedules, buses and facilities for fixed-route, Dial-A-Ride, and paratransit. The TAC meets monthly and includes staff support from the City's Senior Civil Engineer. In October of each year, the Placer County Transportation Planning Agency convenes the TDA Article 8 "unmet needs" public hearing. The City's Transit Administrator participates in various committees (i.e., Social Services, Technical Advisory Committee) convened by the PCTPA.

## **Service Planning**

The effectiveness of a transit system is highly dependent upon the continued development of short- and long-range transit plans. The City's most recent Short Range Transit Plan was finalized in April of 2009. Service recommendations were in response to the need to improve ridership and the farebox return ratio. In particular, the fixed-route services during the audit period offered route deviations which were causing on-time performance problems and creating inefficiencies in operations which negatively impacted ridership. Changes implemented as a result of the SRTP include discontinuation of route deviations and instead implementation of an ADA-compliant complementary Dial-A-Ride service. Routes were changed (in particular, to provide service to newly developed portions of the city) and schedules were simplified and improved. There is insufficient operating data under the new services to evaluate their effectiveness for this audit, but the services appear to have been well evaluated in the SRTP.

In terms of strategic planning, Lincoln Transit has set clear, reasonable goals and objectives in the SRTP and the RTP. Lincoln Transit regularly reviews performance and financial data to determine progress toward meeting its goals and objectives. The current focus is on improving customer relations by making sure passengers understand the new schedule and routing. Lincoln Transit is also addressing bus stop safety issues and improved bus stop signage.

As part of the SRTP process, schedule adherence and boarding and alighting counts were conducted, as well as opinion surveys.

### **Scheduling, Dispatch and Operations**

This functional area concerns the short-term scheduling of routes, drivers, and vehicles, the daily coordination and assurance that each customer is served, and the specific function of providing transportation service. Scheduling for Lincoln Transit is provided by the Transit Supervisor. Dial-A-Ride services are available from 7:00 AM to 5:00 PM for rides, and from 6:00 AM to 5:00 pm for reservations. Drivers are self-dispatched and use cell phones to communicate with the Transit Supervisor and each other.

The ADA requires agencies that provide general public fixed-route service to also offer complementary paratransit service for those individuals with transportation disabilities who cannot otherwise use the fixed-route service. The complementary paratransit service must be offered during the same hours and days as the fixed-route service. Lincoln Transit complies with this requirement by offering curb-to-curb Dial-A-Ride services to seniors and citizens who are ADA-certified. Service is available within a ¾-mile radius of all fixed-routes and is currently in compliance with the ADA on this issue.

Lincoln Transit drivers are appropriately certified for the types of vehicles operated. Drivers bid on shifts and routes based on seniority and are trained to operate each vehicle in the fleet. Drivers are represented by a labor union. Full-time employees are eligible for vacation, sick leave, and any other employer-paid benefits, although part-time employees are not.

### **Personnel Management and Training**

Lincoln Transit has low driver turnover and is able to hire drivers with previous experience (generally retired school bus drivers), thereby limiting the need to actively recruit and minimizing the need for initial training. Initial and on-going driver training is conducted by the Transit Supervisor. The Transit Supervisor conducts on-the-road evaluations by regularly riding along with drivers on routes. Drivers are also evaluated annually based on their date of hire.

Employee discipline is the responsibility of the Transit Supervisor. Policies are clearly set, and no disciplinary actions have been necessary beyond an occasional minor verbal reprimand. Drug and alcohol policies conform to applicable federal and state requirements.

## **Administration**

Because of recent improvements, Lincoln Transit has a reasonably-developed budget and reporting system that is appropriate to the size and scope of the transit program. Lincoln Transit uses standard software programs (Microsoft Office) to manage information and produce reports. This data is managed internally on a regular basis and submitted to City Council or the PCPTA upon request. Performance and financial data is monitored and reviewed internally.

The City Council must approve substantial changes in the budget and/or spending, while the PCTPA must approve revenue allocations. According to State Controller Reports, operating expenses exceeded the budget in FY 2007-08 by \$275,904 and in 2008-09 by \$200,526. Again, in 2007-08, fuel costs jumped unexpectedly which likely attributed to some of the difference, but this large difference in over-expenditure is a concern.

The City's Public Services Director had primary oversight of grants management duties, service planning, and public information during the audit period. Day-to-day operations and maintenance management continues to be provided by the Transit Supervisor. The Transit Supervisor reports to the TAC on a monthly basis.

Lincoln Transit operates out of the City's corporation yard located at 1480 Flightline Drive in Lincoln. The facility is shared with other City staff.

Lincoln Transit uses manually locking fareboxes. Fareboxes remain on buses overnight and are collected by morning drivers and brought to the Transit Supervisor, who in turn counts the money. Dial-A-Ride fare revenues are easy to reconcile with the actual number of passenger-trips, but because of transfers and morning and evening fixed-route revenues being combined, fixed-route fares are more difficult to reconcile.

Payroll services for Lincoln Transit are provided through the City's internal payroll system, which uses a secure database of employee records, pay rate, benefits and other key data. Employees clock-in and clock-out in the morning, and reconcile their timesheets afterward. Overtime has been substantially reduced and is not generally allowed. Employees submit timesheets as a basis for payroll.

## **Marketing and Public Information**

Information regarding the City's transit service is accessible through the City's easily navigable website. The "transit" page offers information on fares, schedule times, routes, and hours of operation for both fixed-route and Dial-A-Ride. The website provides a link to "Health Express" which provides medical transportation, but not to Placer County Transit which provides direct transfers to Lincoln Transit.

There are three transit brochures; one for the Lincoln Loop; one for the Downtown Circulator; and one for Dial-A-Ride. The brochures are nested together. Each is a multi-colored, tri-fold brochure. The brochures are attractive, easy to read and understand, and provide all the basic

information needed for using the transit system. The maps are clear and easy to read and show points of interest and major time points. Brochures and flyers are distributed to libraries, Kaiser and Sutter Hospitals, Sun City, local lodges and Chambers of Commerce.

## **Maintenance**

A preventive maintenance schedule is in place that meets the requirements of the bus manufacturers, and preventive maintenance services are provided by Lincoln City staff, which charge the transit program an hourly fee. Lincoln's consolidated operations/maintenance facility appears to be sufficient for the varied types of vehicles operated. The facility includes six service bays, a bus washing bay, and adequate storage space for maintenance equipment. It also includes administrative space.

Lincoln Transit has a fleet of eight active vehicles including six large buses and two DAR buses, with six vehicles in service during peak periods. The two most recently purchased vehicles are 18-passenger 2007 Ford Glavals used for DAR service. No replacement vehicles are planned in the next two years, although the 1999 42-passenger Thomas bus has reached the end of its economically useful life as defined in FTA Circular 5010.1C and is eligible for immediate replacement. Two more vehicles will reach the end of their useful lives in 2014, and two in 2015. The SRTP has capital purchase recommendations for replacing vehicles. Lincoln Transit should work closely with PCTPA and Caltrans to ensure replacement of vehicles as they reach the end of their useful life.

Vehicles are inspected daily by the Lincoln Transit drivers, and defects are noted on a Daily Vehicle Inspection Report. If a safety-related defect is discovered, the vehicle is "red-tagged" until the vehicle is repaired. The Transit Supervisor then contacts the staff mechanic to schedule repairs. There is not typically a backlog of repairs.

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## Conclusions and Recommendations

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The Auditor's analysis of Lincoln Transit indicates that, in terms of operations, the system was sufficiently operated and managed during the audit period, with indications of impending improvements. A number of service and management changes were implemented shortly after the audit period in response to the 2009 SRTP. It is LSC's opinion that these changes will have a positive effect on Lincoln Transit's effectiveness. The following discussion represents the auditor's findings and recommendations to improve the effectiveness of Lincoln Transit.

### FINDINGS

- ◆ Given the demographic characteristics and geographic constraints in the City of Lincoln, the transit program size and scope appears to be appropriate.
- ◆ Transit services provided by Lincoln Transit did not meet five of the nine obligatory TDA-requirements. The key violation was the system's inability to consistently meet the minimum 10 percent farebox recovery ratio requirement during the audit period. The highest farebox recovery ratio was 3.3 percent in 2006-07.
- ◆ Lincoln Transit failed to complete and submit its annual TDA Fiscal and Compliance Audit within the TDA-required deadline for all three fiscal years. The base requirement is 180 days after the end of the fiscal year, unless a 90 day extension is granted by the RTPA. Two of the Lincoln Transit TDA Fiscal and Compliance Audits were completed over one year past the end of the fiscal years (July 9, 2008, for the 2006-07 fiscal year and September 9, 2009, for the 2007-08 fiscal year). The FY 2008-09 audit was not completed until April of 2010.
- ◆ Lincoln Transit failed to complete and submit its annual State Controller's Reports within the TDA-required deadline for two of the three fiscal years. The base requirement is 90 days after the end of the FY, unless filed electronically, in which case 110 days is allowed. The annual reports were submitted on November 30, 2007, for fiscal year 2006-07 and on January 6, 2009, for fiscal year 2007-08.
- ◆ In violation of PUC Section 99266 which requires that Lincoln Transit's operating budgets not increase by more than 15 percent over the preceding year, operating costs increased by 24 percent in FY 2007-08. This is true of other transit programs in Placer County and seems largely to be a factor of increased fuel costs which are beyond the control of the operator. However, the operating cost per passenger-trip was very high during the audit period, ranging from \$20.70 to \$30.52. This indicates that the transit system as operated during the audit period was not cost effective.
- ◆ During the audit period, discrepancies existed between the internal operating data (ridership, vehicle service hours, and vehicle service miles) maintained by Lincoln Transit and the data reported in the annual State Controller Reports. In particular, several significant errors were

reported in the State Controller Reports (54,479 vehicle revenue hours reported in 2008-09, when the correct number was 7,725; 109,686 miles reported in 2006-07 when the correct number was 85,526).

- ◆ Slight discrepancies exist between the data in annual State Controller Reports and the annual TDA Fiscal and Compliance Audits. This issue is not unique to Lincoln Transit, since the State Controller Report data are due prior to the time when the annual TDA Fiscal and Compliance Audits are typically completed. Given the small differences in the data sets, it would not be beneficial to commit limited staff resources to try to reconcile these historical figures.
- ◆ More significantly, the operating cost and fare revenue recovery ratio were miscalculated in internal data and the TDA Fiscal and Compliance Audits for all three years of the audit period. Indirect expenses were erroneously subtracted from the operating cost, charter expenses were erroneously included in operating costs, and charter revenues were erroneously included in the fare revenue.
- ◆ The farebox revenue is delivered to the Transit Supervisor who alone counts the revenue before submitting it to the financial department.

## **RECOMMENDATIONS**

- ◆ The primary recommendation for Lincoln Transit is to work closely with PCTPA and Caltrans to determine methods to achieve the TDA-mandated 10 percent farebox recovery ratio. Specifically, Lincoln Transit ridership needs to be increased. Significant service changes enacted as a result of the recent SRTP are likely to facilitate this change, but not enough data is available presently to evaluate the effectiveness of new services. Lincoln Transit staff should continue to review the performance of the service changes on a monthly basis. If increases in ridership and reductions in operating costs are not sufficient to increase the farebox recovery ratio, Lincoln Transit should also consider a fare increase.
- ◆ If the minimum farebox recovery ratio is not maintained, the operator's eligibility for TDA funds is reduced by the difference between the required and actual fare revenue. A one-year grace period is allowed. If the 10 percent farebox recovery ratio is not attained the following fiscal year (referred to as non-compliance year), the penalty (or the difference between required and actual fare revenue) is determined and reported in the following fiscal year or the determination year. During the third year following the grace year, the penalty for the non-compliance year is assessed. The fiscal audit cites that Lincoln Transit will be subject to a penalty of \$28,723 in FY 2009-10 for non-compliance with the farebox recovery ratio requirement in FY 2007-08. Further a penalty of \$46,930 should be assessed in FY 2010-11 for noncompliance with the farebox recovery ratio in FY 2008-09. It is recommended in the PCTPA audit that PCTPA assess these penalties. PCTPA has elected to place the funds in a reserve account until the City meets farebox requirements.

- ◆ If Lincoln Transit continues to miss the farebox recovery ratio requirement, another factor to consider is the TDA allowed exclusion of “extended services.” Lincoln Transit recently revamped transit routes and extended the fixed-route to Twelve Bridges and Lincoln Crossing. TDA law allows for the exclusion of operating costs and fare revenue associated with extended transit services in the calculation of farebox ratio for the first two years of the service extension. Lincoln Transit should consider this exclusion when calculating the farebox recovery ratio in FY 2009-10 and 2010-11.
- ◆ High operating costs are a concern for Lincoln Transit. Operating costs rose 24.0 percent in FY 2007-08 and operating expenses exceeded the budget in FY 2007-08 by \$275,904 and in 2008-09 by \$200,526. Again, in 2007-08, fuel costs jumped unexpectedly which likely attributed to some of the difference. However, given the low farebox recovery ratio, Lincoln Transit staff should closely monitor transit operating expenses and regularly compare these expenses to the adopted budget.
- ◆ Lincoln Transit staff should annually perform a review of the State Controller Report data, as well as the annual TDA Fiscal and Compliance Audit data, to review the accuracy of data reporting and proper calculation of TDA required performance indicators by the fiscal auditor. In particular the calculation of operating expenses and fare revenue should be reviewed. Operating expenses should **not** include charter expenses but **should** include indirect costs charged by other city departments for vehicle maintenance, administrative services, etc. Fare revenue should **not** include charter revenue. Additionally, staff should chronicle any discrepancies between State Controller Reports, fiscal audits and internal reports in a file so that future Triennial Performance Auditors can use this information to enumerate any discrepancies.
- ◆ For the protection of the Transit Supervisor and as a sound policy, the fare revenues should be retrieved from fareboxes and counted with two people present.
- ◆ Lincoln Transit has not implemented a number of previous recommendations which are still pertinent, including:
  - *The City should designate a single point-of-contact for transit program oversight.* While the Transit Supervisor is the main point-of-contact for day to day operations and operating data, there is still some confusion about who maintains and provides financial data. The auditor was referred to four different people to arrive at basic financial data.
  - *Institute timely submittal of mandated reports to state and RTPA. Institute timely submittal of TDA claims.* As noted, this is still an issue. Lincoln Transit staff should prepare and submit data in a timely manner to the State Controllers, as well as prepare and submit data so the annual TDA Fiscal and Compliance Audit can be completed on time. If necessary, the City should also formally request the available extensions.
  - *Record accurate fleet data by fiscal year (including VIN, year, make/model, and mileage at the end of each fiscal year for each vehicle).* This step was not conducted over the course of the most recent audit period.