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STANISLAUS  
COUNCIL OF  
GOVERNMENTS  
– CITY OF  
CERES

FINAL TRIENNIAL PERFORMANCE AUDIT OF THE  
CITY OF CERES

*Triennial Performance Audit of  
the City of Ceres*

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## EXECUTIVE SUMMARY

### Why the Review was Conducted

This is the Performance Audit report for the City of Ceres Transit, covering Fiscal Years 2006-07, 2007-08 and 2008-09. An audit is required triennially of every transit operator in the state of California to be eligible for Transportation Development Act (TDA) funding. This audit was commissioned by the Stanislaus Council of Governments (StanCOG) and was conducted in accordance with the audit process established by the California Department of Transportation (Caltrans).

### What the Review Found

During the course of our performance audit we assessed the status of prior audit recommendations and examined compliance with applicable laws, rules and regulations as prescribed by the Transportation Development Act. We also examined key performance measures of operational efficiency and effectiveness as well as performed a high level functional review of the key areas of operations.

We found that Ceres has implemented all prior triennial audit recommendations to increase farebox recovery rates and ridership for weekend service; implement targeted marketing and develop a short range transit plan; and properly allocate hours worked by the staff on transit related projects.

Ceres was generally in compliance with six of eight applicable TDA regulations. The two exceptions related to the timeliness of reporting in Fiscal Years (FY) 2007 and 2008. The City did not provide one financial audit in FY 2007, and one Transit Operators Report to the State Controller in FY 2008, within the appropriate time frames.

Performance, measured by key indicators of operational effectiveness and efficiency, fluctuated over the audit period. A significant increase in operational cost due to a new operating service agreement in FY 2008 caused a decline in many indicators. There was a downfall in ridership between FY 2008 and FY 2009 and an associated decline in the number of passengers carried per vehicle service mile and per service hour.

We also found that Ceres functioned in an efficient, effective and economic manner during the period under review. Functionally, all transit operations are conducted by capable and dedicated staff both at the City of Ceres and the contractor, Storer Transit. Proper oversight of the contractor exists, and the contractor conducts operations with strong controls and managerial oversight of operations, personnel, training, and maintenance. Each month City staff and the City Manager review data on the contractor's performance.

## INTRODUCTION

This report of the Performance Audit for the City of Ceres' transit services and covers a three-year period ending June 30, 2009. The California Public Utilities Code requires all public transit agencies to conduct a Triennial Performance Audit in order to be eligible for Transportation Development Act (TDA) funding. The Performance Audit is intended to be a high-level review to evaluate the efficiency, effectiveness, and economy of transit operations, while ensuring compliance with the Transportation Development Act.

### OBJECTIVES

The Performance Audit is designed to be an independent and objective evaluation of the City of Ceres, as a transit operator. The examination addressed three areas:

- (1) Compliance with TDA regulations,
- (2) Progress at implementing prior audit recommendations, and
- (3) Efficiency and effectiveness of operations. This report also includes strategies for improving the efficiency and functionality of transit operations.

### SCOPE & METHODOLOGY

Our approach to the audit included:

- In-person interviews with the following employees of the City of Ceres Development Services Department: Engineering Division staff, Finance Division staff, Storer Transit Operations Manager, Human Resource Analyst, and Training Manager.
- Analysis of transit operations documents, financial information, Transportation Operators Financial Transactions reports submitted to the California State Controller, bus driver training records, maintenance records, and short-range transit plans.
- Verification of performance indicators by conducting trend analyses on performance data
- On-site physical observation of operations.
- Verification of the accuracy of passenger and mileage data.

MCG used the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities (2009)*, published by the California Department of Transportation, as a guide in the development and conduct of this performance audit.

DESCRIPTION OF THE TRANSIT SYSTEM

The City of Ceres’ transit services are the responsibility of the Engineering Division of the Developmental Services Department. Transit administration is the responsibility of an Administrative Analyst within the Division. The City has contracted with Storer Transit to operate its transit services.

Ceres’ has expanded its transit services in recent years. Ceres Area Transit (CAT), the fixed route bus service, started on July 1, 2003 with one route. A second CAT Route was added on July 1, 2005. The northeastern route was named CAT Route A and the southwestern route was named CAT Route B. Route C or weekend service was added in 2008. Route A begins at Herndon Avenue & Hatch Road and continues to the southeastern area of the city and returns back. Route B also begins at Herndon Avenue & Hatch Road and continues to the southwestern area of the city to Crows Landing Road and returns back. The weekend route, Route C, is a combination of portions of Routes A and B and travels from Herndon Avenue & Hatch Road and continues to the southwestern area of the city and then returns back. The CAT routes also offer transfer connections to Modesto MAX and County StaRT Transit services. Fares are illustrated below in Table 1.0.

**Table 1.0 CAT Fares**

<b>General Fare</b>	<b>\$ 1.25</b>
Up to two children age 5 or younger ride free*	Free
Seniors/Persons with Disabilities and Medicare Card Holders**	\$ 1.00

Ceres Dial-A-Ride (CDAR), a door-to-door service, started in 1977. Ceres Dial-A-Ride is a general public, curb-to-curb demand responsive public transit service operated by Storer Transit. Service is provided within the City and in the immediate surrounding unincorporated area. Ceres Dial-A-Ride can be used for medical appointments, work, school, and senior services. Vehicles are wheelchair accessible and can transport bicycles. Fares are shown below in Table 2.0.

**Table 2.0: Ceres Dial-A-Ride Fares**

<b>General Fare</b>	<b>\$1.75</b>
Up to two children age 5 or younger*	Free
Seniors (age 65 years old and older), Persons with Disabilities and Medicare Card Holders**	\$1.25

## SIGNIFICANT CHANGES THAT OCCURRED DURING THE AUDIT PERIOD

A number of changes occurred within the audit period:

### FY 2006-07

- Effective July 1, 2006: Revised CAT Route A and revised CAT Route B.
- CDAR fares went up to \$1.00 per ride for general fares; all other fares remained at \$.75 (CDAR senior/disabled, and CAT general and senior/disabled). These changes remained in effect for 18 months.

### FY 2007-08

- Effective January 1, 2008: Slightly revised CAT Route A near Mae Hensley Jr. High twice a day, and revised CAT Route B.
- Added CAT Route C, weekend service.
- CDAR fares increased to \$1.25 per ride for general fares and up to \$1.00 per ride for senior/disabled. CAT fares went up to \$1.00 per ride for general and remained at \$.75 senior/disabled. These changes remained in effect for 18 months.

### FY 2008-09

- The transit fleet changed from a diesel and CNG fleet to a gasoline and CNG fleet to comply with CARB requirements.
- A new larger CNG bus was added to the fleet. The larger bus is used primarily on CAT Route A, which serves more riders.
- Effective July 1, 2009: Slightly revised CAT Route A near City Hall and revised CAT Route B to serve more commercial areas and around the new Whitmore overpass being constructed. CDAR fares increased to \$1.75 per ride for general fares and up to \$1.25 per ride for senior/disabled. CAT fares increased to \$1.25 per ride for general and increased to \$1.00 per ride for senior/disabled).

## CHAPTER 1: AUDIT RESULTS

### COMPLIANCE RESULTS

This section of the audit report contains the analysis of Ceres Transit's ability to comply with state requirements for continued receipt of TDA funds. The evaluation uses the guidebook, *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Agencies*, which was developed by the Department of Transportation (Caltrans) to assess transit operators. The guidebook contains a checklist of 11 measures taken from relevant sections of the Public Utilities Code and the California Code of Regulations. Each of these requirements is discussed in the table below, including a description of the City of Ceres' efforts to comply with the requirements. Three of these requirements are not applicable to the City of Ceres due to its size and designation as a non-urban transit provider.

The City of Ceres generally maintained compliance with TDA rules and regulations for the audit period. Specifically, the City of Ceres is in full compliance with six of the eight applicable PUC requirements, as shown in Figure 1.0. Specifically, fiscal audits have confirmed that TDA funds were apportioned correctly; Operator Reports were submitted to the State Controller's Office and to the StanCOG within appropriate time frames in two of three years; and CHP certifications were timely. While Ceres' operating budget increased over 15 percent within the audit period, proper justification for the increase was provided to StanCOG.

There was, however, one area – timeliness of reporting -- where we noted two exceptions. In FY 2007, the City of Ceres did not complete its annual fiscal audit until February 2008, or about 60 days late. This was due to the former Finance Manager's taking of unexpected leave during that time. The fiscal audit noted significant control deficiencies in the internal controls over financial reporting, also due to the unexpected leave of the Finance Manager. In 2008, the City of Ceres was again late, this time submitting the Operator Report to the State Controller's Office 22 days after the deadline. City of Ceres officials explained they do not anticipate these occurrences in the future because it has hired a new Finance Manager.