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STANISLAUS
COUNCIL OF
GOVERNMENTS
– CITY OF
MODESTO

FINAL TRIENNIAL PERFORMANCE AUDIT OF THE
CITY OF MODESTO

*Triennial Performance Audit of
Modesto Area Express and
Modesto Dial-A-Ride*

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EXECUTIVE SUMMARY

Why the Review was Conducted

This is the Performance Audit report for the City of Modesto, 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.

Our review showed that while Modesto submitted its reports and audits in a timely manner to implement one of the three recommendations made by the prior audit, Modesto did not implement the other two recommendations but did conduct activities that achieve the recommendations' original intent.

Modesto maintained compliance with all 9 applicable TDA regulations. In complying with the requirements of the Transportation Development Act (TDA), the City improved the timeliness of its reporting and maintained fare revenues to cover the required portion of their operating expenses. Performance indicators show that the City of Modesto transit operations have experienced a slight decline in operating efficiency, while effectiveness has remained constant. Modesto maintained a farebox recovery ratio consistent with their 20 percent requirement. While overall operating costs increased due to an increase in the City's operations contract with MV Transportation, Inc. and increased fuel costs, the ratio of operating costs per passenger declined due to a slight decline in ridership.

Functionally, all transit operations are conducted by capable and dedicated staff both at the City of Modesto and the contractors, MV and Storer Transit. Proper oversight of the contractors exists, and the contractors conduct operations with strong controls and managerial oversight of operations, personnel, and training. Although current maintenance facilities are not sufficient to support operations, the City is in the process of designing a new facility, where the work is now under contract and on schedule after a change in vendors.

INTRODUCTION

This report of the Performance Audit for the City of Modesto 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 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

This audit is designed to be an independent and objective evaluation of the City of Modesto, 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 City of Modesto Transit Manager, Transit Planner, Administrative Analyst (Finance) Transit Analyst, Maintenance Supervisor and Manager. We also met with the Storer Transit Operations Manager Human Resource Analyst and Training Manager. At MV, we interviewed the MV Transit Operations Manager and Assistant 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, short-range transit plans.
- Verification of performance indicators by conducting trend analyses on performance.
- On-site physical observation of operations.
- Verification of the accuracy of passenger and mileage data.

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

Additionally, we provided Modesto Transit officials with the opportunity to respond to the report, and they found that the recommendations were reasonable and planned to implement the recommendations immediately.

DESCRIPTION OF THE TRANSIT SYSTEM

The Modesto Area Express (MAX) is the City of Modesto’s fixed route transit service that operates seven days a week.¹ The MAX is comprised of 16 routes and service to the Amtrak Station. There are also transfer points to Ceres Transit. The City of Modesto administers and operates the fixed route service through a contract with MV Public Transportation, Inc. (MV). Table 1.0 below shows the current fare structure.

Table 1.0: MAX Fare Structure

Regular/General Fare	\$1.25
Student (preschool through fulltime college students)	\$1.00
Seniors (age 65 and older) and Disabled	60¢
Medicare Card Holders	60¢
Student field trips (per student or accompanying adult, prepaid)	45¢
Children (age 4 and under only when accompanied by a parent or legal guardian)	Free

Source: MAX Ride Guide – 2009

Commuters that require a ride to Bay Area Rapid Transit (BART) are served by the Modesto BART Express at a cost of \$16.00 per round trip to the Dublin Pleasanton BART station, or \$14.00 for a one-way trip. Commuters can also take the Modesto ACE Express to the Altamont Commuter Express Train (ACE Rail) for \$2.00. Discount monthly passes for the BART Express are \$160 per month. Twenty-ride discount tickets, that cost \$35, are available for the ACE Express.

Modesto Area Dial-A-Ride (MDAR) is a demand responsive service operating in the Modesto Urban Area and serves as the complementary para-transit service to MAX, in accordance with ADA requirements. Riders must complete an ADA application and determined eligible before using MDAR. Reservations must be made at least one day in advance. Service is available to seniors and persons with disabilities. The general public can ride on weekday evenings, Sundays and holidays, when MAX buses are limited or not operating. General public passengers must call at least two hours in advance prior to riding. The Modesto Area Dial-A-Ride is available from 4:45 a.m. to 11:00 p.m. Monday-Friday, 8:00 a.m. to 7:00 p.m. on Saturday, and 8:00 a.m. to 6:00 p.m. on Sunday and major holidays. Fare structure is presented in Table 2.0. MDAR is operated through a contract with Storer Transit Systems (Storer).

Table 2.0: MDAR Fare Structure

Cash Fare	\$2.50
Ten-ride ticket book	\$22.00
Children (under 5 ride free when accompanied by a parent or guardian)	Free

Source: Modesto Ride Guide - 2009

¹ MAX operates from 5:51 a.m. to 7:54 p.m., Monday through Friday, 7:21 a.m. to 7:40 p.m., Saturday, and 8:45 a.m. to 6:40 p.m. on Sunday

CHAPTER 1: AUDIT RESULTS

COMPLIANCE RESULTS

This section of the audit report contains the analysis of Modesto’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 (PUC) and the California Code of Regulations. Each of these requirements is discussed in the table below, including a description of Stanislaus County’s efforts to comply with the requirements.

The City of Modesto generally maintained compliance with TDA rules and regulations for the audit period. Specifically, the City of Modesto is in full compliance with the 9 applicable PUC requirements, as shown in **Figure 1.0**. Most importantly, the farebox recovery ratio remained above the TDA required level of 20 percent for its designation for serving urbanized areas. Modesto also completed its fiscal audits in a timely manner and these confirmed that TDA funds were apportioned correctly. Operator Reports were submitted to the State Controller’s Office and to StanCOG within appropriate time frames. CHP certifications were timely and the operating budget did not increase over 15 percent within the audit period. Additionally, the City appropriately utilized FTA funds before TDA claims were granted.

Figure 1.0: TDA Compliance Requirements Results

Requirement	Results
1. The transit operator submitted annual reports to the RTPE based upon the Uniform System of Accounts and Records established by the State Controller. PUC, Section 99243.	✓
2. The operator has submitted annual fiscal and compliance audits to its RTPE and to the state controller with 180 days following the end of the fiscal year, or has received the appropriate 90 day extension allowed by law. PUC Section 99245.	✓
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. PUC, Section 99251.	✓
4. The operator’s claim for TDA funds is submitted in compliance with rules and regulations adopted by the RTPE for such claims. Public Utilities Code, Section 99261.	✓
5. 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). PUC, Sections 99268.2,99268.3, & 99268.12.	✓
6. 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, Section 99268.2, 99268.4, & 99268.5.	N/A
7. If an operator serves urbanized and non-urbanized areas it has maintained a ratio of fare revenues to operating costs at least equal to the ratio determined by the rules and regulations adopted by the RTPA. PUC, Section 99270.1	N/A
8. 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, Section 99261.	✓
9. The operator’s definitions of performance measures are consistent with PUC code 99247, including (a) operating cost, (b) operating cost per passenger, (c) operating cost per vehicle service hour, (d) passengers per vehicle service hour, (e) passengers per vehicle service mile, (f) total passengers, (g) transit vehicles, (h) vehicle service hours, (i) vehicle service miles and (j) vehicle service hours per employee. PUC, Section 99268.	✓
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 with 40 years. PUC, Section 99271.	✓
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. PUC, Section 6754 (a) (3).	✓

Legend: ✓ In Compliance ✗ Non-Compliance N/A Not Applicable