

Western Nevada County Transit Operators Triennial Performance Audit

FY 2018/19 through FY 2020/21

FINAL



Prepared for the
**NEVADA COUNTY
TRANSPORTATION
COMMISSION**



Western Nevada County Transit Operators *Triennial Performance Audit*

FY 2018/19 through FY 2020/21

FINAL

Prepared for

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Performance Audit of Western Nevada County Transit Operators

The California Public Utilities Code requires that all transit operators that receive funding under Article 4 of the Transportation Development Act (TDA) be subject to a performance audit every three years. This document presents the findings from the Triennial Performance Audit (TPA) of the transit operators in Western Nevada County (Nevada County Connects and Nevada County Now). As the Regional Transportation Planning Agency (RTPA) responsible for TDA funding in Nevada County, this audit was performed under the authority of the Nevada County Transportation Commission (NCTC).

This audit report covers Fiscal Year (FY) 2018-19 through FY 2020-21, and was conducted by LSC Transportation Consultants, Inc. The audit process follows guidelines outlined in the Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities developed by Caltrans in 2008.

BACKGROUND

Western Nevada County transit services are provided through a joint powers agreement between the County of Nevada and the Cities of Nevada City and Grass Valley. The Nevada County Transit Services Division (TSD) is responsible for the oversight of the two public transit systems operating in western Nevada County. The TSD directly operates one of the transit programs, Nevada County Connects, providing fixed-route service using County employees. In addition, the TSD contracts with Paratransit Services, a private contractor, to provide door-to-door demand response services under contract to the TSD.

VERIFICATION AND USE OF PERFORMANCE INDICATORS

Tables 1-3 in Chapter 1 of the audit report presents operating and financial statistics for the current audit period and the prior audit period for Western Nevada County Transit operators. Figures 1-7 graphically present performance indicators for all Western Nevada County transit services. During this audit period, systemwide ridership decreased by roughly 62 percent. The majority of this decrease occurred during the pandemic years of March 2019 to June 2021. Operating cost per vehicle service hour decreased (from \$135.32 in FY 2018-19 to \$127.84 in FY 2020-21) while productivity decreased from 8.9 trips per hour to 4.06 trips per hour. Because of COVID's drastic impact on transit ridership, systemwide fare revenues decreased by 53 percent during the audit period. Farebox ratio met the 10 percent minimum for maximum eligibility of TDA in FY 2018-19 but decreased to 5.97 percent by FY 2020-21. However, per AB 90 and AB149 farebox requirements have been suspended for the last two years of the audit period. Given the rural nature of the county and COVID conditions, Nevada County performs at a level that is typical of similar rural transit systems.

Western Nevada County transit operators compiled operating statistics in accordance with TDA definitions, as presented in Appendix B of the Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities. As for the overall data collection and recording process, there were some discrepancies between data in various internal spreadsheets.

REVIEW OF COMPLIANCE REQUIREMENTS

The Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities recommends reviewing transit operator compliance with certain TDA regulations that relate to transit performance. Table 4 presents Nevada County's compliance with these requirements. During the audit period, Nevada County was found to not be in compliance on two issues: (1) State Controller Reports were not filed within the required time period, 2) Fiscal and Compliance Audits were not completed within the specified time period. This is common among transit agencies as County Auditors often have limited time to work on these reports.

STATUS OF PRIOR AUDIT RECOMMENDATIONS

The previous audit was completed by Moore and Associates. The recommendations and their status from that effort are presented below.

TDA Compliance Recommendation 1: Use the TDA definition to calculate and report full-time equivalents and effectively document the methodology used for this calculation.

Implementation: Partially implemented.

Moore & Associates has identified five functional findings which did not affect TDA compliance but were considered important to the scope of the audit.

Functional Finding 1. Both fixed-route and Dial-A-Ride data reported to the National Transit Database are combined under the category of "Bus."

Implementation Complete

Functional Finding 2- While public perception of the program is generally high, the County suffers from limited community awareness regarding Gold Country Stage service.

Implementation in Progress

Functional Finding 3 - The Transit Services Commission (TSC) has expressed concern regarding ridership decline specific to Gold Country LIFT.

Implementation In Progress

Functional Finding 4 - The County does not address complaints received specific to Gold Country LIFT in its Annual Operations Report.

Implementation in Progress:

Functional Finding 5 - Financial data reported to various entities has significant inconsistencies.

Implementation In-Progress

DETAILED REVIEW OF TRANSIT OPERATOR FUNCTIONS

An important step in the performance audit process is to evaluate standard transit operator functions in terms of efficiency and effectiveness. This is done through on-site interviews with transit staff. The review of transit operator functions can be divided into the following categories:

- General Management and Organization
- Service Planning
- Administration
- Scheduling, Dispatch and Operations
- Marketing and Public Information
- Maintenance

TSD and Paratransit Services have a well-defined program of administrative oversight. Transit services changes are appropriately evaluated before and after implementation. Overall, transit operations and dispatch go smoothly. The operators have in place safety, operations and training procedures which comply with applicable regulations. Sufficient marketing and public outreach efforts are conducted by TSD, and a new branding campaign is underway. Contractor staff has a productive relationship with Nevada County staff. Vehicle replacement is on-going so as to maintain a safe and operable fleet.

FINDINGS

- Ridership on Western Nevada County transit operator services was fairly stable until COVID-19 but then decreased by over 50 percent.
- Until the pandemic, Western Nevada County transit operators were able to maintain a systemwide 10 percent farebox ratio or better but farebox ratio dropped to below 6 percent during the pandemic.
- During a period of increasing inflation and fuel costs, Western Nevada County transit operator operating costs did not increase more than 7.5 percent in one year.
- Productivity on the fixed routes started out at a respectable 12.71 passenger-trips per vehicle service hour at the beginning of the audit period but was reduced to 6.56 passenger trips per hour by the end of the audit period.
- Paratransit Services was able to maintain the productivity standard of 2.0 passenger trips per hour for each of the three years of the audit period.
- Not all state controller reports and fiscal audits were submitted within the required time period due to a variety of issues, including staffing issues and ransomware attacks. Late submittal of Fiscal and Compliance Audits is not unusual for rural transit agencies.
- There were discrepancies between internal spreadsheet data sets.
- TSD is making an effort to begin the transition to zero-emission vehicles through the recent purchase of a hybrid transit van.

- During COVID, Nevada County implemented a on-demand service for seniors as a way to test alternative methods of meeting public transit demand.
- The new and improved operations and maintenance facility meets the needs of transit operations. Compliance with maintenance intervals improved during the audit period.

RECOMMENDATIONS

Recommendation 1: In order to be fully compliant with TDA requirements, TSD should keep documentation of how FTEs are calculated for purposes of reporting to the State Controller. The definition of Full-time Equivalent Employees per the Caltrans Triennial Performance Audit Guidebook is as follows:

“Transportation system-related hours worked by persons employed in connection with the public transportation system (whether or not the person is employed by the operator, for example, a city accounts payable person whose time is partly charged to transit operations). Such persons include contractor staff. A Full-Time Equivalent employee count can be calculated by dividing the number of person-hours worked by 2,000.”

Below are guidelines for developing a policy regarding calculating full-time equivalent employees for purposes of reporting to the State Controller:

- All employees who spend time assisting with public transit related functions should be included in the employee hour count. This consists of all TSD staff, operating contractor staff and County administrative staff who assist public transit such as accounting or management. TSD could use A-87 charges as a guide to estimate hours spend on transit by other County administrative staff.
- Total hours worked (not including paid time off) should be tallied at the end of the year and divided by 2,000.
- This will represent the full-time equivalent employee count for Western Nevada County transit operators for purposes of reporting to the state controller.

Recommendation 2: Conduct a more detailed Governance Study

The most recent Transit Development Plan for Western Nevada County included a section on governance. The TDP recommended NCTC and Nevada County undertake a more detailed governance study to determine if forming a separate Joint Powers Authority would be more cost efficient, streamlines the process of providing public transit and does not negatively impact the public’s perception of transit. Initial calculations showed that TSD pays the County almost \$500,000 annually in fees/charges for services rendered such as administration and auditing. The governance study should analyze if these services could be provided more cheaply through a JPA governance model.

As noted in this report, operating as an entity separate from the County could also give the public transit operator greater flexibility to increase wages and bonuses for drivers and thereby attract new recruits. Becoming a JPA would also streamline the decision-making and approval process as the public transit

operator would answer to one board dedicated to public transit instead of two (TSC and Board of Supervisors).

As part of this study, it would also be appropriate to review other governance models such as contracting for fixed route transit service as well as demand response. This can be done either as an entity of the county or a separate JPA.

A more detailed Governance study should include the following:

- A description of existing transit services including ridership and performance statistics
- Detailed overview of operating expenses with administrative functions such as accounting, IT, Legal, Payroll etc. broken out separately.
- A discussion of different governance models including: 1) a separate JPA with operations in-house, 2) a JPA who contracts for operations, 3) a special district and 4) municipal agency.
- Peer review of similar transit agencies for each type of governance model comparing administrative function costs and FTEs required for each function.
- Estimation of cost impacts for the different governance models.
- Summary of findings and recommendations

Recommendation 3: Conduct study to review paratransit ridership decline and study alternative modes of demand response transportation to address decreasing ridership.

The Transit Services Commission has expressed concern in the past over declining paratransit ridership. As noted throughout this report, COVID has changed demand for transit ridership, particularly among the elderly and immune compromised. In a fast-paced world with widespread use of smartphones, on-demand transit services which do not require advance reservations and can be requested by mobile phone are becoming more popular. Nevada County has already seen this with the Senior DAR On-Demand service. Therefore, it is recommended that Nevada County conduct a study to review changes to Nevada County Now services. This could include incorporating technology into on-demand services and/or opening demand response services to the general public. Performance standards in the operating contract for Nevada County Now should also be reviewed to ensure that they are consistent with the service being provided and adjusted post-COVID expectations.

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Section 1

Triennial Performance Audit Results

BACKGROUND

The 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) program. 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 California Department of Tax and Fee Administration (CDTFA) returns the LTF to each county according to the amount of tax collected in that county. STA funds are derived from statewide sales tax on 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 capital projects and operations.

The California Public Utilities Code (PUC) requires that a Triennial Performance Audit (TPA) be conducted for all transit operators and RTPAs. 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. Rural transit operators who make claims under Article 4 of the TDA in rural counties must maintain a minimum farebox recovery ratio of 10 percent. Per AB90 and AB149 this requirement along with qualifying criteria for STA funds has been suspended for fiscal years 2019-20 through fiscal year 2022-23 because of the unforeseen drop in ridership due to COVID.

The NCTC allocates TDA funds for public transit services in Nevada County. There are two separate public transit systems in Nevada County: Nevada County Connects and Nevada County Now (paratransit) in the western half of the county and Tahoe Truckee Area Regional Transit (TART) in the eastern portion of the county. Both public transit services lie completely within a rural area as defined by the US Census Bureau. Therefore, these services are normally subject to a 10 percent farebox ratio requirement. This audit represents results from the public transit operator in the western portion of Nevada County.

PERFORMANCE AUDIT AND REPORT ORGANIZATION

The performance audit consisted of seven elements:

1. Initial review of transit operator functions
2. Review of compliance requirements
3. Follow-up review of prior performance audit recommendations
4. Verification and use of performance indicators
5. Detailed review of transit operator functions
6. Preparation of the Draft Audit report
7. Preparation and presentation of the Final Audit report

TRANSIT PROGRAM DESCRIPTION

A Joint Powers Agreement (JPA) between Nevada County, the City of Grass Valley, and Nevada City establishes public transportation services in western Nevada County. This JPA was originally executed in 1976 and last updated on January 10, 2012. The agreement states that each entity will pool TDA and other transit funding for the purpose of providing fixed route and paratransit services to the general public at a reasonable fare and convenient routing and scheduling for western Nevada County. The Nevada County Transit Services Division (TSD) is responsible for the oversight of the two public transit programs operating in western Nevada County. The TSD operates one of the transit programs and contracts with Paratransit Services, Inc. for the other program:

- Nevada County Connects, a fixed-route program, is operated directly by the TSD using County employees.
- Nevada County Now, provides door-to-door demand response services for passengers unable to use the fixed route. The service is provided by Paratransit Services Inc. under contract to the TSD.

Nevada County Connects

Nevada County Connects refers to the eight fixed routes that serve the Nevada City/Grass Valley area and unincorporated western Nevada County, the SR 20 corridor between Grass Valley and Penn Valley, North San Juan as well as the SR 49 corridor between Nevada City and Auburn. In Auburn, connections are provided to Placer County Transit, Auburn Transit, and Amtrak as schedules allow. Several on-demand stops are available at designated locations off of the fixed routes. Service is provided on weekdays generally from 6:00 AM to 6:30 PM. Saturday service with a reduced schedule is available on five of the seven fixed routes. Systemwide service levels were reduced in 2020 during the COVID-19 pandemic. Normal service hours resumed August 16, 2021.

Nevada County Now

Nevada County TSD contracts with Paratransit Services Inc. for Americans with Disabilities Act (ADA) paratransit service, known as Nevada County Now. Nevada County Now provides demand response paratransit services within three-quarters of a mile of the fixed route to ADA eligible passengers who are unable to use the fixed route, fulfilling the requirement under the ADA. These supplemental rides are prioritized for medical appointments. Nevada County Now paratransit service is operated Monday through Friday from 6:30 AM to 7:30 PM and Saturday from 7:30 AM to 5:00 PM. Under the contract with Nevada County, Paratransit Services Inc. also operates a Senior On-Demand Dial-a-Ride service for adults ages 65 or older during the same hours that Nevada County Now operates, no matter disability status. Sunday DAR Service, sponsored by the Agency on Aging Area 4 (AAA4) operates every Sunday from 8:00 AM to 2:30 PM, providing paratransit services to adults 60 and older. Sunday service has had fairly low ridership.

OPERATING AND FINANCIAL STATISTICS

The following section quantitatively analyzes the efficiency and effectiveness of public transit services in western Nevada County. Operating data and financial statistics are presented in Tables 1-3 and Figures 1-7. Operating data was obtained from internal reports while financial data was obtained from annual Fiscal and Compliance Audits. Western Nevada County operating data for this audit period and the previous audit period is presented in Table 1 for services systemwide. Table 2 presents operating and financial statistics for Nevada County Connects fixed route services and Table 3 presents operating and financial statistics for Nevada County Now demand response services.

TABLE 1: Western Nevada County Transit Operators Systemwide Performance Measures

Performance Measures	Prior Audit Period			Current Audit Period		
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
One-Way Passenger-Trips	223,847	222,756	239,520	239,140	190,332	90,499
% Change from Previous Year	-1.6%	-0.5%	7.5%	-0.2%	-20.4%	-52.5%
Vehicle Service Hours	31,944	32,140	34,866	29,563	28,373	18,076
% Change from Previous Year	-1.1%	0.6%	8.5%	-15.2%	-4.0%	-36.3%
Vehicle Service Miles	496,400	493,720	473,058	386,451	394,585	272,140
% Change from Previous Year	-0.1%	-0.5%	-4.2%	-18.3%	2.1%	-31.0%
Operating Costs	\$3,366,002	\$3,513,016	\$3,856,741	\$4,000,384	\$4,299,151	\$4,011,684
% Change from Previous Year	-2.8%	4.4%	9.8%	3.7%	7.5%	-6.7%
Full-Time Equivalent Employees (FTE)	37	37	33	33	33	33
% Change from Previous Year	-22.9%	0.0%	-10.8%	0.0%	0.0%	0.0%
Passenger Fare Revenues	\$395,420	\$386,061	\$390,192	\$365,646	\$283,619	\$172,288
% Change from Previous Year	-4.4%	-2.4%	1.1%	-6.3%	-22.4%	-39.3%
Operating Cost per One-Way Passenger-Trip	\$15.04	\$15.77	\$16.10	\$16.73	\$22.59	\$44.33
% Change from Previous Year	-15.7%	4.9%	2.1%	6.1%	35.0%	96.3%
Operating Cost per Vehicle Service Hour	\$105.37	\$109.30	\$110.62	\$135.32	\$151.52	\$221.94
% Change from Previous Year	41.5%	3.7%	1.2%	23.8%	12.0%	46.5%
Passengers per Vehicle Service Hour	7.01	6.93	6.87	8.09	6.71	5.01
% Change from Previous Year	67.9%	-1.1%	-0.9%	16.7%	-17.1%	-25.4%
Passengers per Vehicle Service Mile	0.45	0.45	0.51	0.62	0.48	0.33
% Change from Previous Year	33.3%	0.1%	12.2%	37.2%	-22.1%	-31.1%
Vehicle Service Hours per FTE	863.35	868.65	1,056.55	895.83	859.79	547.75
% Change from Previous Year	-28.4%	0.6%	21.6%	3.1%	-4.0%	-36.3%
Farebox Recovery Ratio ⁽¹⁾	11.75%	10.99%	10.12%	10.69%	8.48%	4.30%
% Change from Previous Year	8.5%	-6.5%	-7.9%	5.6%	-20.7%	-49.3%

Note: Previous audit period data obtained from prior performance audit.

Note 1: As per Fiscal and Compliance Audit and includes TDA exemptions on operating cost side and LCTOP and advertising on revenue side.

TABLE 2: Nevada County Connects Fixed Route Services Performance Measures

		Combined Fixed Routes		
Performance Measures		2018-19	2019-20	2020-21
One-Way Passenger-Trips		204,795	165,706	78,302
	% Change from Previous Year	1.4%	-19.1%	-52.7%
Vehicle Service Hours		16,117	18,064	12,077
	% Change from Previous Year	-20.1%	12.1%	-33.1%
Vehicle Service Miles		248,588	287,320	204,013
	% Change from Previous Year	-14.8%	15.6%	-29.0%
Operating Costs		\$2,329,685	\$2,281,310	\$1,645,143
	% Change from Previous Year	-13.5%	-2.1%	-27.9%
Farebox Revenues		\$250,059	\$224,594	\$110,418
	% Change from Previous Year	-11.4%	-10.2%	-50.8%
Operating Cost per One-Way Passenger-Trip		\$11.38	\$13.77	\$21.01
	% Change from Previous Year	-14.7%	21.0%	52.6%
Operating Cost per Vehicle Service Hour		\$144.55	\$126.29	\$136.23
	% Change from Previous Year	8.3%	-12.6%	7.9%
Passengers per Vehicle Service Hour		12.71	9.17	6.48
	% Change from Previous Year	27.0%	-27.8%	-29.3%
Passengers per Vehicle Service Mile		0.82	0.58	0.38
	% Change from Previous Year	19.1%	-30.0%	-33.5%
Farebox Recovery Ratio		10.73%	9.84%	6.71%
	% Change from Previous Year	2.4%	-8.3%	-31.8%

FIGURE 1: Western Nevada County Annual Ridership History

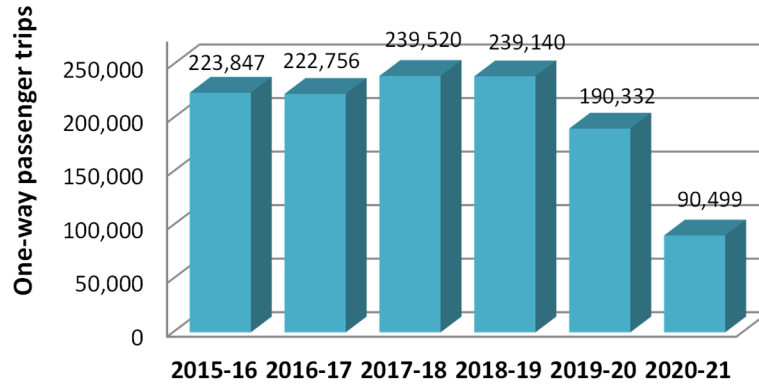


FIGURE 2: Western Nevada County Operating Cost per Passenger-Trip

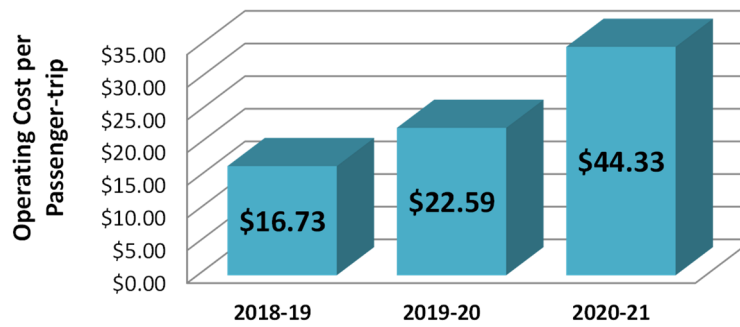


FIGURE 3: Western Nevada County Operating Cost per Hour

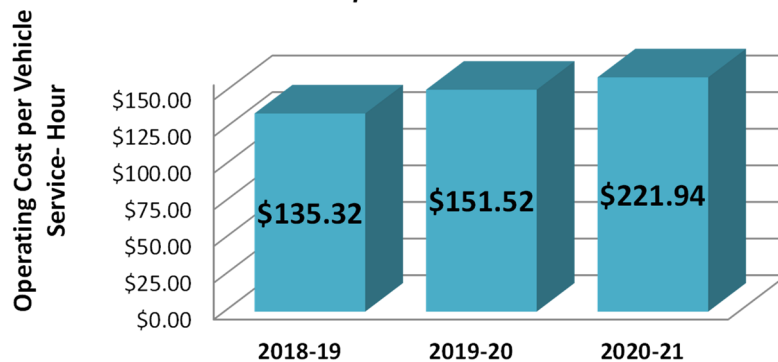


FIGURE 4: Western Nevada County Passengers per Hour

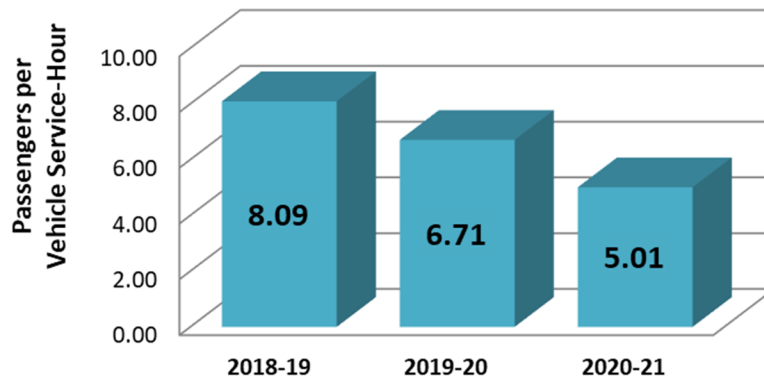


FIGURE 5: Western Nevada County Passengers per Mile

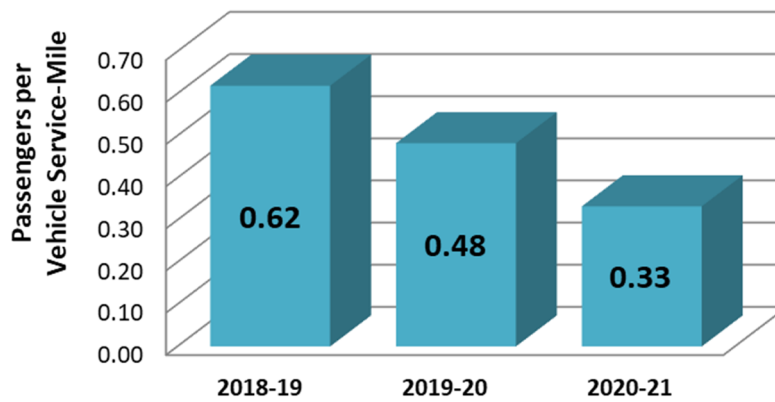


FIGURE 6: Western Nevada County Hours per Employee

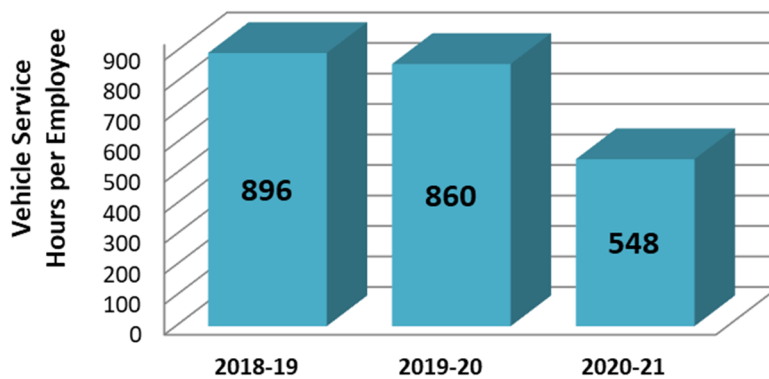
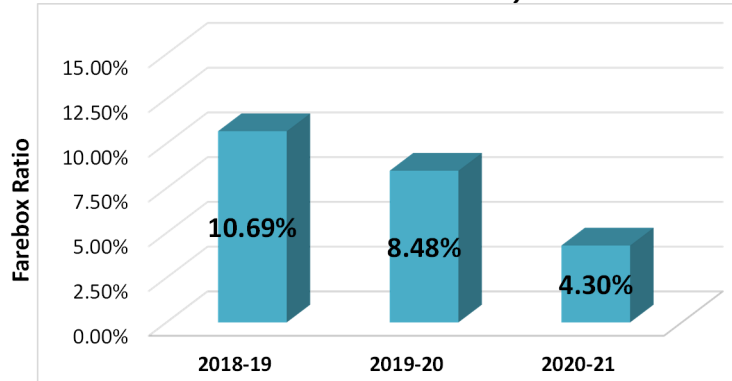


FIGURE 7: Western Nevada County Farebox Ratio**TABLE 3: Nevada County Now Demand Response Services Performance Measures**

Performance Measures	Demand Response Services		
	2018-19	2019-20	2020-21
One-Way Passenger-Trips	34,345	24,626	12,364
<i>% Change from Previous Year</i>	-8.7%	-28.3%	-49.8%
Vehicle Service Hours	13,445	10,309	5,999
<i>% Change from Previous Year</i>	-8.4%	-23.3%	-41.8%
Vehicle Service Miles	137,862	107,265	64,217
<i>% Change from Previous Year</i>	-23.9%	-22.2%	-40.1%
Operating Costs	\$ 1,260,150	\$1,191,189	\$1,032,158
<i>% Change from Previous Year</i>	8.3%	-5.5%	-13.4%
Farebox Revenues	\$99,070	\$69,437	\$35,944
<i>% Change from Previous Year</i>	-8.2%	-29.9%	-48.2%
Operating Cost per One-Way Passenger-Trip	\$36.69	\$48.37	\$83.48
<i>% Change from Previous Year</i>	18.7%	31.8%	72.6%
Operating Cost per Vehicle Service Hour	\$93.73	\$115.55	\$172.05
<i>% Change from Previous Year</i>	18.3%	23.3%	48.9%
Passengers per Vehicle Service Hour	2.55	2.39	2.06
<i>% Change from Previous Year</i>	-0.3%	-6.5%	-13.7%
Passengers per Vehicle Service Mile	0.25	0.23	0.19
<i>% Change from Previous Year</i>	20.0%	-7.8%	-16.1%
Farebox Recovery Ratio	7.86%	5.83%	3.48%
<i>% Change from Previous Year</i>	-0.15282457	-25.9%	-40.3%

DATA COLLECTION METHODS

As part of the TPA process, the auditor must collect and verify the following transit operator statistics:

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

Operating data was obtained from internal reports and financial data was obtained from Fiscal and Compliance Audits.

Passenger Counts - TDA defines passenger counts as one-way unlinked trips. Nevada County's counting of passengers is consistent with this definition. Data from combined services master reports and matches State Controller Report. Data in Gold Country Stage and Paratransit spreadsheets differ from State Controller Reports slightly.

Table 1 and Figure 1 present annual ridership data for all Nevada County services during the audit period, as well as data from the previous three-year period (for purposes of comparison). During this current audit period, overall ridership decreased by 62.2 percent. Over the past six years, systemwide ridership decreased by 59.6 percent with the lowest ridership occurring during FY 2020-21 and the highest ridership occurring in FY 2017-18. The significant decrease in systemwide ridership was a direct impact from reductions in transit service and demand for public transit service due to the COVID-19 pandemic. Prior to FY 2018-19, systemwide ridership stayed relatively steady and in fact there was a 6.8 percent increase over FY 2015-16 ridership. After the COVID mandates went into effect, TSD reduced service levels by 40 percent. This included suspending the newly implemented Route 7 to North San Juan, a small community roughly 14 miles north of Nevada City on SR 49. All services have returned to pre-pandemic service levels as of August 2021.

As shown in Table 2, fixed route services ridership declined by 62 percent over the past three fiscal years. This decrease occurred across all routes and again are related to the COVID pandemic.

Ridership on the DAR service (Table 3) decreased by 64 percent during the audit period. This significant decrease is also an effect of the COVID-19 pandemic. As seniors are a more vulnerable population with respect to COVID and seniors are more likely to use paratransit services, the pandemic is likely to have a larger impact on DAR services.

Operating Cost data for Nevada County services systemwide were obtained from annual Fiscal Audits. Operating costs include total operating expenses for each object class as presented in the Chart of Accounts for the Uniform System of Accounts and Records minus depreciation costs. Per TDA, operating costs include the annual cost of running a transit operation exclusive of depreciation, capital expenditures, vehicle lease costs, and direct costs of providing charter service. Extension of service can be excluded per Section 6633.8 when calculating farebox ratio. Nevada County follows this definition.

As shown in Table 1, systemwide operating costs increased by 7.5 percent between FY 2018-19 and FY 2019-20, but then decreased by 6.7 percent between FY 2019-20 and FY 2020-21 (due to the reduction in service levels). Specifically, “salaries and benefits” and “administration and overhead” increased in FY 2019-20 by 15.7 and 30.5 percent, respectively, but “professional services,” which include the operating contract cost, decreased by 2.5 percent and “rent” decreased by 20.9 percent that year. The increase in salaries and benefit is also affected by recent requirements for local entities invested in the California Public Employees' Retirement System (CalPERS) to recognize their share of the state's unfunded pension and Other Post Employee Benefits (OPEB) liabilities on the employer's balance sheet, instead of in the footnotes.

Operating costs by type of service are tracked in internal reports but not presented in the Fiscal and Compliance Audit. As shown in Table 2, combined fixed route operating costs decreased by 29.4 percent during the audit period as a result of the significant decrease in service levels due to COVID. The Nevada County Now service also saw an 18.1 percent decrease in operating costs during the audit period. This decrease was a result of the decreased passenger-trips and vehicle service miles during COVID.

Vehicle Service Hour data is reported in Tables 1 -3. Appendix B of the Performance Audit Guidebook defines vehicle service hours as the time during which a revenue vehicle is available to carry fare-paying passengers. In other words, the time between the scheduled time of the first passenger pickup and the last passenger drop off. Vehicle service hours were recorded and reported in accordance with TDA Performance Audit Guidebook definitions.

As shown in Table 1, over the past six years Nevada County systemwide service levels fluctuated, with a net decrease of 43.4 percent or 13,868 annual vehicle-hours. During the prior audit period vehicle hours actually increased by 9.1 percent, but during the current three-year audit period vehicle hours decreased by 38.9 percent. Systemwide vehicle service hour reductions began before COVID in FY 2018-19, but the most significant decrease was seen in FY 2020-21 in response to the large drop in ridership demand. As seen in Tables 2 and 3, this decrease in hours can be attributed more to a reduction in demand response service than fixed route vehicle hours.

Vehicle Service Mile data is displayed in Tables 1 - 3. Vehicle service miles are defined in Appendix B of the Performance Audit Guidebook as those miles travelled during vehicle service hours. Nevada County records and reports vehicle service miles to the State Controller in accordance with the TDA definition.

As shown in Table 1, during this audit period, systemwide annual vehicle service miles decreased by 114,311 miles, or 29.6 percent. Vehicle service miles follow a similar pattern to vehicle service hours. Note that on-demand Senior DAR service began at the end of the audit period.

The **Full-Time Equivalent (FTE) Employee** data presented in Table 1 was obtained from the State Controller's Reports. Appendix B of the Performance Audit Guidebook defines full-time equivalent employee hours as dividing the number of person-hours worked by transit related employees by 2,000. FTEs are reported in the State Controller Report. The County hires an outside CPA to complete this report. TSD staff indicated that FTEs are being calculated in accordance with TDA definitions.

Systemwide **Fare Revenue** data presented in Table 1 was obtained from annual Fiscal and Compliance Audit reports and represents passenger fares only. Fare revenue data by service type listed in Tables 2 and 3 was also obtained from internal reports.

TDA PUC Section 99205.7 states that fare revenues are defined as revenue in 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-and-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, (2) to guarantee a 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. Charter revenues cannot be included in the fare revenue category. Nevada County calculates and reports fare revenue to the State Controller correctly. It should be noted that Low Carbon Transit Operations Program (LCTOP) funds acquired for the purpose of having fare – free transit service can be categorized as fare revenue under object class 402.

Table 1 shows that over the past six years systemwide fare revenues have decreased, with the peak revenues occurring six years ago in in FY 2015-16 (\$395,420), even though ridership was greatest over the past six years in FY 2017-18. TSD has not raised fares over the past two audit periods. In fact, free fares were offered to passengers during COVID and TSD received LCTOP funds to replace that funding source. The 53 percent drop in systemwide fare revenues over the past three fiscal years is a result of a decrease in ridership. Fare revenue obtained from combined fixed route services ranged from \$110,418 to \$250,059 (Table 2). DAR revenues ranged from \$35,944 to \$99,070 (Table 3) during this audit period.

Calculation and Evaluation of Performance Indicators

Performance indicators are frequently used to quantify and review the efficiency and effectiveness of a transit operator's activities. Such indicators can provide insight on current operations as well as on the operator's performance over a period of time. Using the data described above, the following performance indicators were calculated as required in Section 99246(d) of the Public Utilities Code:

- Operating Cost per Passenger
- Operating Cost per Vehicle Service Hour
- Passengers per Vehicle Service Hour
- Passengers per Vehicle Service Mile
- Vehicle Service Hours per Employee

In addition, the Farebox Recovery Ratio is calculated and evaluated herein, per Section 99268 et seq. of the Public Utilities Code.

The **Operating Cost per (One-way) Passenger-Trip** data is presented in Tables 1-3 and Figure 2. This performance measure is a key indicator of a transit system's cost effectiveness. Systemwide operating cost per trip increased by 6.1 percent in FY 2018-19 to \$16.73 then increased by 35 percent in FY 2019-20 to \$22.59 per trip. This metric then increased 96 percent to \$44.33 per trip in FY 2020-21. The significant drop in ridership is a primary factor behind the decline of this performance indicator.

As shown in Table 2, Nevada County Connect operating cost per trip increased by 84 percent during the audit period, from \$11.38 in FY 2018-19 to \$21.01 in FY 2020-21. Demand response services such as Nevada County Now are the least cost-effective type of service. Operating cost per trip for Nevada County Now increased from \$36.69 in FY 2018-19 to \$84.62 in FY 2020-21.

The **Operating Cost per Vehicle Revenue Hour** data is presented in Tables 1-3 and Figure 3. This performance measure is a key indicator of a transit system's cost efficiency. This metric improved during the audit period as the denominator in the equation (hours) were cut back drastically during COVID. Systemwide operating cost per vehicle revenue hour increased by 64 percent during the audit period from \$135.32 in FY 2018-19 to \$221.94 in FY 2020-21. Operating cost per hour on the combined fixed route services was \$128.10 in FY 2018-19 and increased to \$150.83 in FY 2020-21. DAR operating costs per vehicle hour ranged from \$115.55 in FY 2019-20 to \$93.73 in FY 2018-19, as a result of fewer hours of service.

The **Passengers per Vehicle Revenue Hour** (commonly referred to as "productivity") is presented in Tables 1-3 and Figure 4. Systemwide productivity over this audit period decreased from 8.1 passenger-trips in FY 2018-19 to 5.1 passenger trips per hour in FY 2020-21. The systemwide productivity in FY 2020-21 was significantly lower than the previous audit's range of 6.9 to 7.

Looking at productivity by type of service (Tables 2 and 3), Nevada County fixed route passenger-trips per vehicle service hour decreased steadily throughout this audit period (12.7 to nearly 6.5 trips per hour). This marks a decrease from the previous audits average of 10.7 passenger trips per vehicle service hour. A general standard for fixed route transit services in small-urbanized areas is around 10 trips per hour.

DAR passenger trips per hour also decreased throughout the audit period, with the highest levels recorded in in FY 2018-19 with 2.6 passenger trips per hour and the lowest amount of passenger trips per hour in FY 2020-21 with 2.06. This marked a 19 percent decrease during the audit period. For a demand response system, 2 to 2.5 trips per hour is considered an industry standard.

The adopted Western Nevada County Transit Short Range Transit Development Plan recommends a performance standard of 13 one-way passenger trips per hour for all services combined in order to maintain a 10 percent farebox ratio. Nevada County Connect and Nevada County Now do not meet this standard; however, this is to be expected during the pandemic.

Systemwide **Passengers per Vehicle Revenue Mile** data is presented in Tables 1-3 and Figure 5. This performance indicator has decreased by 46.3 percent during the audit period and by 26.3 percent over the past six years, ranging from a systemwide 0.62 trips per mile in FY 2018-19 to 0.33 trips per mile in FY 2020-21. The fixed routes carried more passenger-trips per mile (0.38 in FY 2020-21) than DAR (0.21 in FY 2020-21).

The **Vehicle Service Hours per Employee** data is presented in Table 1 and Figure 6. As presented, the number of vehicle revenue hours per Full Time Equivalent (FTE) decreased during the audit period as a result of a reduction in the amount of vehicle revenue hours systemwide. FTE's have remained consistent since FY 2017-18.

The **Farebox Recovery Ratio** data is presented in Tables 1-3 and Figure 7. Farebox ratio for the Nevada County system as a whole was calculated using data obtained from the Fiscal and Compliance Audits. TDA law does not require a performance auditor to calculate farebox recovery ratio and determine compliance with TDA farebox ratio minimums, as this is the job of the Fiscal and Compliance Auditor. However, as farebox ratio determines eligibility for TDA funding it is worthwhile to review this performance indicator.

The ultimate significance of the farebox ratio is that a claimant's maximum eligibility for TDA funds is determined in large part by its required ratio. For example, if a claimant had a required fare ratio of 10 percent, then it could receive a maximum of 90 percent of its operating cost from TDA and federal revenues (this is in addition to eligibility for capital purposes). If the claimant's actual fare revenues proved to be less than the required 10 percent, its TDA eligibility would not be increased to make up the difference. Rather, the shortfall of required fares would reduce the amount of TDA eligibility in future years.

Like many other rural transit agencies, Nevada County has found it increasingly difficult in recent years to maintain the 10 percent farebox ratio. Population decreases, inexpensive gas, cheaper auto ownership and general inflation contribute to the challenges during the audit period, and the COVID-19 pandemic severely impacted ridership in the last two years of the audit period. As shown in Figure 7, Nevada County's farebox ratio was 10.69 percent in FY 2018-19, decreased to 8.48 percent in FY 2019-20, and decreased to 4.3 percent in FY 2020-21.

Nevada County's farebox ratio dipped below 10 percent the last two years of the audit period. According to TDA law, transit operators who do not meet minimum farebox ratios are allowed one grace year before being considered non-compliant. Additionally, if fare revenue alone is insufficient to meet the 10 percent requirement, transit operators can use "local funds" to supplement fare revenue. Local funds are defined as, "any nonfederal or nonstate grant funds or other revenues generated by, earned by, or distributed to an operator. Examples include advertising revenue, lease revenue or funds provided by a local agency.

On the expense side, operating cost increases beyond the change in the Consumer Price Index for the following categories can be excluded from farebox ratio calculation:

- Complementary paratransit service
- Fuel
- Alternative fuel programs
- Power, including electricity
- Insurance premiums and payments
- State and federal mandates
- Startup costs for new services for a period of not more than two years

There is also some leeway in TDA law to distinguish LCTOP funds as local funds, if the RTPA desires; however, most transit agencies categorize LCTOP funds as fare revenue (object class 402).

Table 1 and Figure 7 present systemwide farebox ratio including local funds. In Nevada County, local funds include advertising revenue. Farebox ratio need only be calculated at the systemwide level for TDA eligibility purposes; therefore, local funds are not included in farebox ratio calculations by type of service.

Lastly, as part of a COVID relief effort and AB 90 and AB 149, the state suspended farebox recovery ratio requirements for fiscal years 2019-20 through fiscal year 2022-23. Therefore, Nevada County will not be assessed a penalty for not meeting the 10 percent farebox ratio requirement during this audit period.

RECOMMENDATIONS ON DATA COLLECTION AND REPORTING

Some discrepancies exist between operating data maintained in internal Nevada County TSD reports and the data reported in the annual State Controller Report. Some of the variances were as much as 17 percent, but generally the data is in the ballpark. The auditor reviewed two different sets of internal spreadsheets: 1) One data set which combined operating data for fixed route and DAR 2) Another data set where spreadsheets for fixed route and DAR are separate. The combined services data set was mostly consistent with what was reported to the State Controller. However, there were greater discrepancies with the spreadsheets by route.

As for the overall data collection and recording process, TSD employs a straightforward data entry process. Nevada County Connect uses Route Match software to track operating data. These reports are input into a spreadsheet database for fixed route services. The operating contractor for Nevada County Now, Paratransit Services Inc., employs Easy Rides software to track trips. Currently, the drivers are provided paper manifests and they call dispatch after pick-up and drop-off of passengers. The dispatcher enters the data into Easy Rides. Paratransit is working on purchasing tablets for the drivers to record data instead of calling the dispatcher. Paratransit provides TSD with monthly reports on the fifth of every month. TSD staff combine Nevada County Now reports from Paratransit with Nevada County Connects reports into one master spreadsheet which is presented to the Transit Services Commission every other month. During the audit process an error was found in the combined services master spreadsheet which overstated vehicle service hours for DAR significantly. This error was corrected but after the incorrect data had been reported to the State Controller.

Overall Performance

The US has been experiencing an overall downward trend in public transit ridership for a variety of reasons including decreasing gas prices and low cost of auto ownership. Prior to COVID, Nevada County Connects did not follow this trend and ridership slowly increased. Unfortunately, after COVID restrictions went into effect, both Nevada County Connect and Nevada County Now ridership plummeted down to 90,499 trips from 239,000 trips. With the decrease in demand for public transit, fewer people going places and fewer social service programs operating, TSD was forced to reduce public transit service levels by 40 percent. This had a negative impact on all performance measures except for operating cost per vehicle service hour, as hours were reduced so significantly. On a brighter note, systemwide operating costs had not been increasing over 15 percent annually, as required by TDA law, but rather never increased more than 7.5 percent in one year. Western Nevada County public transit services perform at a level that is typical of similar rural transit systems during these times.

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

Nevada County appears to have a reasonably well-developed system of internal controls appropriate to the size of the transit system. This statement is echoed in each of the annual Fiscal Auditor's Reports.

REVIEW OF COMPLIANCE REQUIREMENTS

As an entity receiving TDA funds for transit purposes, Nevada County is required to comply with laws and statutes set forth in the Act. Below is a discussion of Nevada County's compliance with sections of the Public Utilities Code which relate to transit performance, as recommended in the Performance Audit Guidebook. Table 4 displays the results of the compliance analysis:

1. According to Public Utilities Code Section 99243, Nevada County must submit annual reports to the NCTC based on the Uniform System of Accounts and Records established by the State Controller. These reports must be filed with NCTC and the State Controller seven months after the end of the fiscal year. A third-party CPA prepares the reports. The FY 2020-21 report was sent two months after the deadline.
2. Public Utilities Code Section 99245 references timely completion and submittal of the annual Fiscal and Compliance Audits. For this audit period, the FY 2018-19 and FY 2019-20 Fiscal Audits were submitted one month after the deadline, despite a 90-day extension being granted. An additional 32 day (beyond the 90-day extension) was granted to the transit operators for the FY 2020-21 Fiscal and Compliance Audit. This report was submitted only four days after the official deadline. Staffing issues, ransomware attacks and extreme weather events have contributed to the delay in completing the Fiscal and Compliance Audits. It should be noted that most rural transit agencies are late in delivering Fiscal Audits.
3. In accordance with Public Utilities Code Section 99251, Nevada County has submitted evidence that the California Highway Patrol (CHP) has certified compliance with Vehicle Code Section 1808.1 within the 13 months prior to each TDA claim submitted. The Nevada County transit maintenance facility received a "Satisfactory" carrier rating for two of the three years. In 2018, a "Unsatisfactory" rating was given due to a delay in maintenance intervals. This rating was changed to "Satisfactory" upon the follow up inspection. Paratransit Services was also in compliance with Vehicle Code Section 1808.1 during this audit period.

4. In accordance with Public Utilities Code Section 99261, Western Nevada County Transit Operator's claims for TDA funds are submitted in compliance with rules and regulations adopted by the NCTC for such claims.
5. There are no urbanized areas in Nevada County as designated by the US Census. Therefore, PUC 99270.1 does not apply to Nevada County services.
6. Public Utilities Code Section 99266 requires that Western Nevada County Transit Operator'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 for actual operating costs between Fiscal Years 2015-16 and 2020-21. During the Audit period, annual operating costs for all Western Nevada County transit services did not increase by more than 15 percent over the preceding year.
7. Nevada County's definition of performance measures are consistent with Public Utilities Code Section 99247.
8. As the service area of the Western Nevada County transit operators is located within a rural area, transit services are not subject to a 20 percent farebox ratio requirement.
9. Western Nevada County transit operators met the 10 percent systemwide farebox ratio in FY 2018-19. Although systemwide farebox ratio dipped below 10 percent the last two years of the audit period, FY 2018-19 is the only year of the audit period where farebox ratio requirements apply. Because of the unexpected significant loss of public transit ridership throughout California resulting from COVID shutdowns, the state suspended the farebox ratio requirement from FY 2019-20 to FY 2022-23.
10. In reference to PUC Section 99271, Nevada County TSD offers a retirement plan to its transportation employees through the California Public Employees Retirement System (PERS). As of June 2018, reports show that the CalPERS fund was only around 70 percent funded. CalPERS is taking steps to increase the funded status such as shortening the amortization period and adopting new strategic asset allocation. Additionally, as referenced above, GASB 68 and 75 now requires that employers show the pension and OPEB liabilities on their balance sheets instead of in the footnotes. This is a way of forcing employers (cities/counties) to recognize their share of the state's unfunded liability in hopes that the employers take more interest in having these liabilities paid off.

Despite the changes to the balance sheets, actuarial valuations performed by CalPERS assume that the amortization period for the unfunded liability for CalPERS is 30 years or less. Therefore, the retirement system will be funded within 40 years, per PUC 99271.

11. In accordance with California Code of Regulations Section 6754(a) (3), Nevada County makes full use of funds available to it under the Urban Mass Transportation Act of 1964 and its successors (in particular, FTA Section 5311 Non-Urbanized Area Formula Program funds) before TDA claims are granted. During the audit Western Nevada County transit operators received funding from a variety of sources for planning and operating expenses in addition to TDA including the Federal Transit Administration.

TABLE 4: Transit Operator Compliance Requirements - Nevada County Connect and Nevada County Now

Requirement	PUC Reference	In Compliance?		Notes
		Yes	No	
(1) The transit operator submitted annual reports to the RTPA based upon the Uniform System of Accounts and Records established by the State Controller within the specified time period.	99243		X	FY 18-19 sent 1/31/20 FY 19-20 sent 1/28/21 FY20-21 sent 3/17/22
(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		X	FY 18-19 sent 04/30/20 FY 19-20 sent 04/30/21 FY 20-21 sent 05/06/22
(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	X		FY 2018-19 - Yes FY 2019-20 - Yes FY 2020-21 - Yes
(4) The operator's claim for TDA funds is submitted in compliance with rules and regulations adopted by the RTPA for such claims.	99261	X		
(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		
(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	X		
(7) The operator's definitions of performance measures are consistent with Public Utilities Code Section 99247.	99247	X		
(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		
(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, and 99268.5	X		Farebox ratio requirements have been suspended for FY 2019-20 and FY 2020-21
(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 RTPA, which will fully fund the retirement system for 40 years.	99271	X		
(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)	X		

STATUS OF PRIOR AUDIT RECOMMENDATIONS

The previous audit was completed by Moore and Associates in April of 2019. The recommendations and their status from that effort are presented below.

TDA Compliance Recommendation 1: Use the TDA definition to calculate and report full-time equivalents and effectively document the methodology used for this calculation.

Implementation: Partially implemented. An independent CPA prepares the State Controller reports which include data regarding full-time equivalent employees. Discussions with staff indicate that FTEs are calculated according to the TDA definition; however, there is no documentation. TSD should keep simple documentation of how FTEs are calculated for reporting to the state controller.

Moore & Associates has identified five functional findings which did not affect TDA compliance but were considered important to the scope of the audit.

Functional Finding 1. Both fixed-route and Dial-A-Ride data reported to the National Transit Database are combined under the category of “Bus.”

Implementation Complete – Data is now reported in separate categories.

Functional Finding 2- While public perception of the program is generally high, the County suffers from limited community awareness regarding Gold Country Stage service.

Implementation in Progress – During the audit period, TSD staff maintained better coordination with the County Public Information Officer to include public alerts regarding transit services and meeting notifications on the County website. Western Nevada County public transit services have been rebranded as Nevada County Connects and Nevada County Now. The community has been involved with the rebranding process. TSD is in the process of rewrapping the buses with the new logo.

Functional Finding 3 - The Transit Services Commission (TSC) has expressed concern regarding ridership decline specific to Gold Country LIFT.

Implementation In Progress – Demand response ridership peaked in FY 2015-16 with over 40,000 one-way passenger-trips. There has been a general decline since with, of course, a more severe decline during COVID. Just prior to COVID, Nevada County Now carried 34,0345 trips annually and in FY 2020-21 only carried 12,197. The 50 percent drop in demand response ridership during the last year of the audit period can mostly be attributed to COVID conditions. Social service group trips to programs or other destinations did not occur during this time. Additional older adults tended to stay at home for fear of getting sick.

Nevertheless, discussions with TSD staff indicate that there is room for improvement for demand response services. Nevada County Now is available only to ADA eligible passengers. Generally, trips can be requested within $\frac{3}{4}$ of a mile of the fixed route. However, TSD has established an additional $\frac{3}{4}$ mile buffer around the ADA service area which can be served if there is capacity. Many elderly and disabled residents live in the outer paratransit service area, but their trip demand cannot always be met. One of the issues is that the longer trip, likely carrying one passenger at a time, would decrease Nevada County Now productivity (passenger trips per hour). The operating contractor is held to a standard of 2 trips per hour per the contract. In order to maintain this standard, the contractor is hesitant to schedule trips to the outer paratransit boundary.

Recently, TSD began a Senior DAR service which is operated by Paratransit Services and funded through the Area Agency on Aging. This is similar to the idea of a micro-transit service where seniors can request and be provided a ride within 45 minutes of calling dispatch. Passengers must call for the ride instead of using a mobile phone app, but the service is becoming popular, as advance reservations do not need to be made.

Given the changing demand for public transit as a result of COVID and the attractiveness of on-demand services, there is a need to further study how best to provide Nevada County Now services.

Functional Finding 4 - The County does not address complaints received specific to Gold Country LIFT in its Annual Operations Report.

Implementation in Progress: The operating contract for Nevada County Now ends in June 2022. TSD is currently putting together a Request for Proposal for a new contract which will include complaint reporting as part of the performance metrics.

Functional Finding 5 - Financial data reported to various entities has significant inconsistencies.

Implementation In-Progress - The prior auditor recommended using a single database for documenting performance data and then using that data to complete required reports. This auditor used the Combined Services Master Spreadsheet for operating data in audit tables. This data source, with a couple exceptions, was similar to data reported to the State Controller. Separate spreadsheets are initially used to track operating data for fixed route and demand response services. This is reasonable as they are operated by separate entities. Much of the prior auditor's concern was regarding financial data. This highlights another challenge for rural counties operating transit systems, as they must rely on the County Auditor for tracking and accounting for much of the financial data. The County Auditor has many responsibilities of which public transit is only one. Discussions with TSD staff indicate that the primary concern of the prior auditor has been addressed. This finding has been found to be in-progress, but the auditor notes a recommendation at the end of the report regarding consistency with operating data.

DETAILED REVIEW OF TRANSIT OPERATOR FUNCTIONS

This section presents a review of the various functions of Nevada County's transit programs. In general, transit operator functions can be divided into the following areas:

- General Management and Organization
- Service Planning
- Administration
- Scheduling, Dispatch and Operations
- Marketing and Public Information
- Maintenance

General Management and Organization

Nevada County Connect is operated by the Nevada County Transit Services Division (TSD) using County employees. ADA Complementary Paratransit service is operated through a third-party contractor, Paratransit Services, with oversight by the TSD Transit Services Manager.

All Nevada County staff is governed by the Nevada County Board of Supervisors which acts as a Financial Board. The TSD also reports to the Transit Services Commission (TSC), made up of two members of the Board of Supervisors, one Grass Valley representative, one Nevada City representative, two at-large representatives appointed by the County, and one at-large representative appointed jointly by the two cities. The TSC is more of a Policy Board. Roles and powers of all entities involved in the provision of public transit in western Nevada County are stipulated in a Joint Powers Agreement.

The TSD staff consists of 21 full time equivalent employees plus one FTE accounting technician assigned to transit from the Community Development Department. This includes: 1 Transit Services Manager, 1 Accounting Technician, 10 bus drivers, 2 supervising bus drivers, 9 part-time drivers. The Transit Services Manager is responsible for administration of all operations and personnel and reports to the Nevada County Public Works Director. Public Works is a department of the Community Development Agency. Drivers are covered by a collective bargaining Memorandum of Understanding between GCS and the Local 39 of the Operator Engineers Union. All vehicle maintenance is performed by County Fleet Services staff at a new county facility in the same location as operations.

Paratransit Services employs 4 full-time, 8 part-time and 2 on-call drivers along with three dispatchers and two administrative staff to operate Nevada County Now paratransit services.

The most recent Transit Development Plan for Western Nevada County included a section on governance. The TDP recommended NCTC and Nevada County undertake a more detailed governance study to determine if forming a separate Joint Powers Authority would be more cost efficient, streamlines the process of providing public transit and does not negatively impact the public's perception of transit. Initial calculations showed that TSD pays the County almost \$500,000 annually in fees/charges for services rendered such as administration and auditing. The governance study should analyze if these services could be provided more cheaply through a JPA governance model. It would also be appropriate to review other governance models such as contracting for fixed route transit service as well as demand response. This can be done either as an entity of the county or a separate JPA.

Administrative Oversight

TSD has a well-developed system of administrative oversight. The Transit Manager is generally responsible for making the transit system run smoothly and operate within state and federal regulations. He is assisted by two supervising bus drivers and an accounting technician for financial matters. Operating reports are presented to the Transit Services Commissions bimonthly.

The Transit Manager meets with transit administrative staff on a daily basis and driver meetings occur every other month. TSD staff meet with contractor staff several times a month. Overall, TSD and its contractor (Paratransit Services) have a well-developed set of operating standards and procedures to make the transit system effective and efficient. Given the size of the transit program, TSD's internal organization structure is appropriate. Lines of reporting are clearly defined and appropriate.

Recent Program Changes and Innovations

Over the current audit period, TSD made some adjustments to transit service to better serve residents and adapt to COVID conditions:

- Route 7 began service to the North San Juan Ridge, a very rural community in the county. During COVID the service was suspended but has been reinstated as of August 2021.
- Nevada County Connects service levels were reduced by around 40 percent to match reduced transit demand during the pandemic.
- During the height of the pandemic, Paratransit Services provided meal delivery to homebound seniors.

- Free fares were offered March 17, 2020, through August 1, 2020.
- Senior On-Demand and Sunday DAR started in FY 2020-21. The Sunday DAR service is funded by the Area Agency on Aging and not included in the figures in this audit. The Senior On-Demand service is similar to micro-transit except that passengers call for a ride instead of using a mobile phone application. The service, which is operated by paratransit services, is becoming very popular. In FY 2020-21 337 trips were carried on the On-Demand DAR.

TSD looks to the adopted Transit Development Plan for service recommendations for new services. Performance standards for new services are also based on recommendations in the TDP. Generally, new services are part of a two-year pilot program before becoming a standard service. Route 7 to North San Juan was implemented as a pilot program. Due to interruptions in service from the pandemic, Route 7 has not operated for a complete two years. The TDP recommends discontinuing Route 7 if it does not meet standards after the two-year pilot period. The TDP recommends TSD work with the community and social service providers to develop a volunteer/community provided shuttle program or a volunteer driver program for residents in the outlying area. Public hearings are held before implementing major changes such as a fare change.

Communications with Other Government Agencies

The Transit Manager acts as the intergovernmental liaison within NCTC and other regional transit agencies. TSD has a good relationship with Placer County as they coordinate with Placer County for Route 5.

Service Planning

The effectiveness of a transit system is highly dependent upon the continued development of short- and long-range transit plans. NCTC just updated the Short-Range Transit Development Plan (SRTDP) and the Coordinated Public Transit Human Services Transportation Plan for Western Nevada County. The TDP update was conducted just as COVID restrictions were put in place. This added a high degree of uncertainty for the transit conditions over the next five years. The Final Plan included a variety of changes to the fixed route to improve opportunities for connections, increase frequency of service, reduce service to Sierra College during the pandemic, change fixed route service to Wildwood to a demand response system and change fixed route service to North San Juan to a volunteer driver program. The Coordinated Plan included additional strategies to improve mobility for the elderly, disabled and low income by recommending implementing fare free programs and Neighborhood Electric Vehicles (NEV) as a first mile/last mile solution.

Strategic Planning

In terms of strategic planning, Western Nevada County transit operators have set clear, reasonable goals and objectives in the SRTDP. The long-term vision of Nevada County is to continue to provide cost-effective transportation which meets residents' needs. TSD staff indicates that they are always looking for ways to increase "choice" ridership, however this has become more challenging since the pandemic.

Operations reports and ridership analysis are reported to the TSC and NCTC every other month. Several performance indicators are included in the report at the route level. The most recent TDP identified ridership, fare revenue, and passenger per hour standards for the core routes, outlying routes and systemwide. Two tiers of standards were recommended: 1) one to achieve a 10 percent farebox ratio and 2) to achieve a 15 percent farebox ratio.

Short Range Planning

In terms of short-range planning, the 2021 SRTP identifies residential, retail, and other developments which may require transportation. TSD staff make an effort to coordinate with City/County planners regarding transit issues and new project development.

Evaluation of Fixed Routes

TSD staff compile and review spreadsheets of detailed operating data and performance measures each month. Additionally, TSD maintains an on-going spreadsheet which tracks operating data and performance metrics since 2006. This includes charts showing historical trends. Community surveys were conducted prior to implementing the Route 7 pilot program. The SRTDP provided many specific recommendations regarding routing alignment and stop locations.

Planning for and Serving Special Transportation Needs

All of TSD's active fleet of 11 revenue vehicles are wheelchair accessible. Nevada County Now serves as the ADA complementary paratransit service for the fixed routes. DAR is offered the same hours and days and within a three-quarter mile radius of the fixed routes, as required by ADA. Discounted fares on the fixed routes are offered to seniors, disabled and youth. Demand response trips are available for ADA eligible passengers inside and additional $\frac{3}{4}$ mile service are boundary around the traditional ADA service area on a space available basis. There is often limited capacity for this service.

Public Participation Hearings

All TSC meetings are open to the public and are conducted in an accessible facility per the requirements of the Americans with Disabilities Act (ADA). TSD did not conduct many public meetings during this audit period but will do so prior to making major service or fare changes. During the pandemic TSC meetings were held virtually. Agendas are posted on the Nevada County website in advance. The NCTC Social Services Transportation Advisory Council (SSTAC) and the NCTC Technical Advisory Committee also acts as an important conduit for soliciting public input.

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.

TSD and Paratransit Services drivers are appropriately certified and trained for the types of vehicles operated. TSD drivers are assigned to routes through a driver bid process which is based on seniority. This process is outlined in the TSD Staff Operational Guidelines (last updated in 2020). Paratransit driver shifts are assigned based on seniority. Nevada County has a clear sick time policy.

DAR scheduling is performed using Easy Rides software. Drivers still use a paper manifest and call the dispatcher as pickups and drop-offs occur. The dispatcher records the trips into Easy Rides. At the end of the day the paper manifest is cross-referenced with the Easy Rides report. Paratransit is in the process of procuring tablets for the drivers so there would be less need to call dispatch.

Reservations must be made by 5:00 PM at least one day in advance for Nevada County Now services. Subscription service is available to passengers with recurring appointments so long as they do not present any capacity constraints for other qualified passengers. Additional on-demand service is available to seniors during the week as a pilot project. This is a separate service from Nevada County Now and does not require advance reservations. Sunday DAR service is offered through funding from the Area Agency on Aging.

Nevada County Now has an established “no show” policy. Drivers will wait five minutes and try to contact the passenger prior to classifying as a no-show. After 10 no-shows, the passengers will receive a warning letter. After three letters, the passengers will be suspended from DAR service for one week. This has only happened to three or four passengers. No shows decreased by 69 percent between FY 2019-20 and FY 2020-21. Late cancels decreased by 70 percent during the same period. Nevada County has established an ADA eligibility certification process which complies with federal regulations.

Personnel Management and Training

The national labor shortage has been particularly difficult for public transit agencies. Drivers typically make a relatively low wage yet have serious responsibilities. Attracting and retaining drivers who can meet requirements for driving public transit is a challenge. During the audit period, TSD lost 8 drivers, many due to retirement or moving out of state where the cost of living is cheaper.

Currently TSD needs two full-time and four part-time drivers to sufficiently staff transit service to the level that is financially feasible. As a department of Nevada County, TSD is bound by County Human Resource policies. County recruitment involves email blasts of available positions. Right now, there is no process for locally targeted recruitments. Prior to COVID, TSD would set up in-person job fairs. Being limited to a pre-established County wage and bonus structure also decreases TSD’s ability to attract new recruits. In addition to more operators, TSD is looking for more help on the administrative side. TSD is willing to hire and train inexperienced drivers. Performance evaluations are conducted annually. Both new and experienced Nevada County and Paratransit drivers are trained in-house for initial classroom and behind-the-wheel training.

Paratransit Services has also had difficulty recruiting enough drivers. Paratransit looks to web based employment sites such as Indeed to advertise open positions. Paratransit offers employment incentives and a bonus after completing training.

TSD’s Staff Operational Guidelines clearly outline policies and procedures such as time-off requests and work schedules. The Nevada County Personnel Manual further defines personnel issues such as leave and compensation and drug and alcohol policies. There are no monetary or non-monetary bonuses for staff.

Budgeting

Nevada County has a reasonably well-developed budget and reporting system that is appropriate to the size and scope of the transit program. The Transit Manager and the Accounting Technician prepare the

budget. Line-item expenses for maintenance and fuel are provided by the County Maintenance Department. The County Board of Supervisors approves the budget in June. The Nevada County Board of Supervisors must approve substantial changes in the budget and/or spending. During this audit period there were no substantial excesses in the budget.

Grants Management

Grant application preparation and management duties are conducted by the Transit Manager. During the audit period, TSD did not lose a grant due to negligence or improper procedure. TSD has been able to require other grant funding such as LCTOP to purchase alternative fuel vehicles.

Risk Management and Insurance

Regarding insurance, TSD participates in the CalTIP insurance pool. TSD general liability insurance covers \$1 million per occurrence. TSD has established procedures for processing and investigating accident/injury claims. The Transit Manager, Supervisors and County Risk Manager are responsible for reviewing the safety of operating practices. Paratransit Services offers safety pins to those with a good safety record.

Every year, TSD conducts evacuation and emergency preparedness training during the July drivers meeting. Scenarios include smoke filled buses and installing winter tire chains.

Facility Management

The TSD operations and maintenance facility is located at 12350 La Barr Meadows Rd., Grass Valley. The County built this facility for all fleet maintenance roughly one and a half years ago. Roughly two bays are dedicated to transit and vehicles are parked in a fenced yard with security cameras. There is no bus wash, but TSD is making plans to build one. The facility is maintained by the county. TSD also operates the Tinloy Transit Center in Grass Valley which is the focal point of all the fixed routes. The County has a contract with a local landscaping company to maintain the facility while the drivers are responsible for emptying the trash and keeping the transit center tidy.

Revenue Collection and Cash Management

On-vehicle fare collection is appropriately secure on TSD and paratransit buses. All buses use a locked vault manual farebox system. TSD and Paratransit Services has established specific procedures for fare revenue collection. Two staff members are present when fare revenue is counted and bagged for deposit. A system is in place to compare projected fare revenue based on recorded passenger-trips to actual fare revenue. TSD also follows Nevada County's clear cash handling policy.

Other Financial Transactions

TSD follows the County Procurement Policy which is compliant with FTA rules and regulations. All large capital items are procured competitively. The Transit Manager is responsible for oversight of the contractor. TSD is putting together a Request for Proposal for a new operating contract as the current one expires soon.

Marketing and Public Information

The Nevada County website is a good source of route and schedule information as well as link to Google Trip Planner. In addition to the website, Facebook and Twitter, TSD conducts targeted outreach to social service agencies, Sierra College, and local schools. Schedules and flyers are available on buses and sent to partner transit agencies and social service agencies. Nevada County recently began a rebranding effort which has so far included changing the name of the transit system as well as redoing service area maps and brochures. TSD is waiting for sufficient funds to rewrap the buses with the new logo and name.

The majority of passenger complaints and compliments are received directly by TSD staff but the Transit Manager or the TSC does not see a report of complaints and compliments. All complaints and compliments for the Nevada County Now service are kept by Paratransit Services staff. Efforts are made to talk with the driver involved, so as to prevent further complaints.

Maintenance

Fleet maintenance is performed by the County Fleet Maintenance Department for fixed route vehicles. Paratransit Services sends DAR vehicles to a local auto repair shop when repairs or preventative maintenance are required. TSD has a good preventive maintenance schedule in place that meets the requirements of the bus manufacturers. The operations and maintenance facility are located in the same building, thereby facilitating communications between mechanics and the Transit Manager. Parts inventory is organized and sufficient so as to limit downtime for vehicles. All vehicles are parked in a fenced lot with security cameras and badge entry.

Upon identifying a safety defect during a pre-trip inspection, any driver or dispatcher has the authorization to take the vehicle out of service. Overall, TSD has a good procedure in place for prioritizing and tracking repairs and during the audit period and there was no backlog of repairs or preventative maintenance which disrupted service. There is good communication between mechanics and dispatchers with respect to maintenance.

TSD has a fleet of 11 active revenue vehicles and 6 non-revenue vehicles. The average age of the fleet is 6 years. During the audit period, TSD was proactive with vehicle replacement to ensure the safety of the transit system and limit disruption in service due to vehicle repairs. During the audit period, TSD replaced four paratransit vans and two transit buses.

TSD received an unsatisfactory Terminal Inspection Report for 2018 from the California Highway Patrol (CHP). The report noted safety inspections had not been performed at the appropriate intervals for multiple vehicles. Several Code violations were cited for multiple vehicles. The Nevada County maintenance facility was reinspected 3 months later and given a satisfactory rating, although two vehicles still had code violations. CHP terminal inspections for the next two years of the audit period were satisfactory, although in 2021 maintenance program violations, driver record violations and hours of service violations were noted. Since 2018, Nevada County Fleet Maintenance has been tracking maintenance intervals more closely. Terminal inspections for Paratransit were satisfactory for each year of the audit period.

Section 2

Conclusions and Recommendations

The Auditor's analysis of Western Nevada County transit operators indicates that, in terms of operations, the system was efficiently run and professionally managed during the audit period. TSD, has a good relationship with its contractor, the RTPA and neighboring transit operators.

FINDINGS

- Ridership on Western Nevada County transit operator services was fairly stable until COVID-19 but then decreased by over 50 percent.
- Until the pandemic, Western Nevada County transit operators were able to maintain a systemwide 10 percent farebox ratio or better but farebox ratio dropped to below 6 percent during the pandemic.
- During a period of increasing inflation and fuel costs, Western Nevada County transit operator operating costs did not increase more than 7.5 percent in one year.
- Productivity on the fixed routes started out at a respectable 12.71 passenger-trips per vehicle service hour at the beginning of the audit period but was reduced to 6.56 passenger trips per hour by the end of the audit period.
- Paratransit Services was able to maintain the productivity standard of 2.0 passenger trips per hour each year of the audit period.
- Not all state controller reports and fiscal audits were submitted within the required time period due to a variety of issues, including staffing issues and ransomware attacks. Late submittal of Fiscal and Compliance Audits is not unusual for rural transit agencies.
- There were discrepancies between internal spreadsheet data sets.
- TSD is making an effort to begin the transition to zero-emission vehicles through the recent purchase of a hybrid transit van.
- During COVID, Nevada County implemented a on-demand service for seniors as a way to test alternative methods of meeting public transit demand.
- The new and improved operations and maintenance facility meets the needs of transit operations. Compliance with maintenance intervals improved during the audit period.

RECOMMENDATIONS

Recommendation 1: In order to be fully compliant with TDA requirements, TSD should keep documentation of how FTEs are calculated for purposes of reporting to the State Controller. The

definition of Full-time Equivalent Employees per the Caltrans Triennial Performance Audit Guidebook is as follows:

“Transportation system-related hours worked by persons employed in connection with the public transportation system (whether or not the person is employed by the operator, for example, a city accounts payable person whose time is partly charged to transit operations). Such persons include contractor staff. A Full-Time Equivalent employee count can be calculated by dividing the number of person-hours worked by 2,000.”

Below are guidelines for developing a policy regarding calculating full-time equivalent employees for purposes of reporting to the State Controller:

- All employees who spend time assisting with public transit related functions should be included in the employee hour count. This consists of all TSD staff, operating contractor staff and County administrative staff who assist public transit such as accounting or management. TSD could use A-87 charges as a guide to estimate hours spend on transit by other County administrative staff.
- Total hours worked (not including paid time off) should be tallied at the end of the year and divided by 2,000.
- This will represent the full-time equivalent employee count for Western Nevada County transit operators for purposes of reporting to the state controller.

Recommendation 2: Conduct a more detailed Governance Study

The most recent Transit Development Plan for Western Nevada County included a section on governance. The TDP recommended NCTC and Nevada County undertake a more detailed governance study to determine if forming a separate Joint Powers Authority would be more cost efficient, streamlines the process of providing public transit and does not negatively impact the public’s perception of transit. Initial calculations showed that TSD pays the County almost \$500,000 annually in fees/charges for services rendered such as administration and auditing. The governance study should analyze if these services could be provided more cheaply through a JPA governance model.

As noted in this report, operating as an entity separate from the County could also give the public transit operator greater flexibility to increase wages and bonuses for drivers and thereby attract new recruits. Becoming a JPA would also streamline the decision-making and approval process as the public transit operator would answer to one board dedicated to public transit instead of two (TSC and Board of Supervisors).

As part of this study, it would also be appropriate to review other governance models such contracting for fixed route transit service as well as demand response. This can be done either as an entity of the county or a separate JPA.

A more detailed Governance study should include the following:

- A description of existing transit services including ridership and performance statistics

- Detailed overview of operating expenses with administrative functions such as accounting, IT, Legal, Payroll etc. broken out separately.
- A discussion of different governance models including: 1) a separate JPA with operations in-house, 2) a JPA who contracts for operations, 3) a special district and 4) municipal agency.
- Peer review of similar transit agencies for each type of governance model comparing administrative function costs and FTEs required for each function.
- Estimation of cost impacts for the different governance models.
- Summary of findings and recommendations

Recommendation 3: Conduct study to review paratransit ridership decline and study alternative modes of demand response transportation to address decreasing ridership.

The Transit Services Commission has expressed concern in the past over declining paratransit ridership. As noted throughout this report, COVID has changed demand for transit ridership, particularly among the elderly and immune compromised. In a fast-paced world governed by cell phones, on-demand transit services which do not require advance reservations and can be requested by mobile phone are becoming more popular. Nevada County has already seen this with the Senior DAR On-Demand service. Therefore, it is recommended that Nevada County conduct a study to review changes to Nevada County Now services. This could include incorporating technology into on-demand services and/or opening demand response services to the general public. Performance standards in the operating contract for Nevada County Now should also be reviewed to ensure that they are consistent with the service being provided and adjusted post-COVID expectations.