FY 2013-2015
Triennial Performance Audit
of Mendocino Council of Governments

Prepared for
Mendocino Council of Governments

September 2016

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INTERNATIONAL

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Executive Summary

The Mendocino Council of Governments (MCOG) retained Michael Baker International to conduct its Transportation Development Act (TDA) performance audit for fiscal years (FY) 2012–13 through 2014–15. As a Regional Transportation Planning Agency (RTPA), MCOG is required by Public Utilities Code (PUC) Sections 99246 to prepare and submit an audit of its performance on a triennial basis to the California Department of Transportation (Caltrans) to continue receiving TDA funding. TDA funds are used for MCOG administration and planning of public transportation, and distribution for public transit services and nonmotorized projects.

This performance audit is intended to describe how well MCOG is meeting its administrative and planning obligations under the TDA, as well as its organizational management and efficiency. The *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities, September 2008* (third edition), published by Caltrans, was used to guide in the development and conduct of the audit. To gather information for the TDA performance audit, Michael Baker conducted interviews with MCOG executive and agency staff, reviewed various documents, and evaluated MCOG's responsibilities, functions, and performance of the TDA guidelines and regulations.

The audit comprises several sections, including compliance with TDA requirements, status of implementing prior audit recommendations, and review of functional areas. Findings from each section are summarized below, followed by recommendations based on our audit procedures.

Compliance with TDA Requirements

MCOG has satisfactorily complied with applicable state legislative mandates for RTPAs. One compliance measure that did not apply to MCOG pertains to adopting rules and regulations for TDA claims under Article 4.5. There were no such claims submitted during the audit period.

To its credit, MCOG made progress to coordinate the conduct of the annual TDA fiscal audit for non-transit claimants in a cost-effective manner. MCOG's updated internal policy on the conduct of these fiscal audits is intended to provide adequate, cost-effective, and reasonable compliance with this requirement.

Status of Prior Audit Recommendations

Of the four prior performance audit recommendations, MCOG implemented two, partially implemented one, and did not implement another. MCOG developed an updated transit productivity evaluation method, and an approach toward conducting non-transit TDA fiscal audits. MCOG partially implemented the recommendation pertaining to strengthening the role of the Social Services Transportation Advisory Council (SSTAC), and did not address the recommendation concerning an alternative funding formula for senior center TDA funds. The funding formula is pending the Mendocino Transit Authority's (MTA) lead serving as the consolidated transportation service agency (CTSA), although MCOG has authority to instigate the matter.

Functional Review

1. A pre-award audit conducted by Caltrans made several findings and recommendations, among them that the professional services agreement between MCOG and Dow & Associates created a conflict of interest in violation of state statutes and/or federal regulations. The MCOG Board of Directors took action in December 2013 to remove the conflict of interest by approving issuance of two separate requests for proposals: one for executive director/administrative and fiscal services (per RFP and contract), and the other for transportation planning services. Higher TDA fund allocations for MCOG administration were to cover staffing cost increases due to loss of efficiencies under MCOG's reorganization.

2. For the past several years, MCOG has approved funds annually from the Regional Surface Transportation Program for a regional project manager to work with MCOG member agencies to provide local assistance and funding support. Staff has assisted with applying for and obtaining transportation grants for mode-specific improvements for the smaller jurisdictions and communities.

3. MCOG continued efforts on a records retention and destruction policy for a working records management system. The policy has been for MCOG to log action of every file due for destruction in a database, and to scan records for retention in support of a transition to electronic records retention. The policy is based on the California Secretary of State's 2006 Local Government Records Management Guidelines, which include records retention policies of the City Clerks Association of California.

4. An important planning project carried over into the audit period was completion of the *Vision Mendocino 2030 Blueprint Plan*. The current update to the Regional Transportation Plan (RTP) goals and policies would closely reflect those in the Blueprint and the further implementation of Senate Bill (SB) 375. An enhanced public process for the RTP has been shaped to comply with the extensive reach of community input required by state and federal law.

5. MCOG completed an update to the *Coordinated Public Transit–Human Services Transportation Plan* in March 2015 as part of a Caltrans-funded statewide consultant contract to maximize public transportation service delivery and address transportation priorities for the countywide service area. Prior to adopting the plan update, MCOG held a legally noticed public hearing.

6. MCOG is commended for continuing the practice of conducting a formal unmet transit needs process and holding a public workshop each year in compliance with the TDA statute. State law does not require MCOG to undertake a formal unmet transit needs process since no TDA funds are provided for street and road purposes. Rather, it is a product of the agency's proactive practices with public involvement and collaboration with the MTA while maintaining critical input from the Transit Productivity Committee.

Three recommendations are provided to improve MCOG's administration and management relating to TDA. These recommendations are summarized below and described further in the last section of this audit:

1. *Update MCOG TDA manual for inclusion of new state legislation.*

   New legislation (SB 508) passed in October 2015 significantly modified several provisions of TDA. The legislation has several objectives, including simplifying fare recovery requirements; authorizing funding of bicycle and pedestrian safety education programs; and modifying State Transit Assistance (STA) qualifying criteria for operations. MCOG's TDA guidelines should be updated to reflect these changes and identify the responsible party for implementing the updates, such as the fiscal auditor for the farebox recovery calculation. MCOG should also communicate these changes to the transit system and determine what implication, if any, the changes might have on its transit operations.

   SB 508 rationalizes performance metrics, for example, by applying the same operating cost exemptions to both the farebox recovery ratio and the STA qualifying criteria. In addition, this bill clarifies a few terms that should help ensure expectations are applied uniformly to the transit operator. Highlights of the bill are summarized in the last chapter of this audit. The farebox recovery ratios calculated in the next annual TDA fiscal audit should account for these changes given that operator eligibility for TDA funds is determined in large part by the audited farebox ratios. The revised STA sliding scale test that MCOG must also apply would have certain budgeting and planning implications should STA revenue be used for operations.

2. *Consider an alternate funding formula for senior center TDA funds*.

   A carryover from the prior performance audit, the MTA and/or MCOG would take the lead with the other agency providing administrative and technical support to address the current formula for allocating TDA funds to the senior centers which does not account for operational performance of the respective systems. A request for more data for performance review could be made by both agencies to develop trends leading to discussion of the formula. An alternative funding formula is suggested for consideration as conditions warrant a review. As described in the prior performance audit, the alternate formula would follow a similar structure to the existing STA formula, where a certain portion of the allocation to a transit system is based on performance and the remaining portion is based on the discretion of the RTPA. The purpose of the suggested formula is to tie in a certain measure of performance that is already present in the funding process (senior center fare revenues provide local match to TDA) but to incentivize the senior centers to increase productivity. As shown in this audit, the TDA subsidy amount provided by the MTA to the senior centers increased the past three years as a percentage of total costs, and is close to reaching the agreed-upon subsidy cap.

3. *Strengthen existing role and explore additional functions of the Social Services Transportation Advisory Council (SSTAC).*

   A carryover from the prior performance audit, MCOG has partially implemented the recommendation through convening the SSTAC to review and provide responses to the Transit Productivity Committee's recommendation on unmet transit needs. With demand growing for specialized transportation and the ongoing need to provide cost-effective service, MCOG should continue work with the MTA and SSTAC to further engage the SSTAC on additional specialized transportation service issues where its insight and familiarity would add value. These could include presentation and discussion of plans, studies and projects relating to mobility management, transportation planning and public health assessment, public outreach on specialized issues, and CTSA functions. The SSTAC would continue to be informed of MCOG and MTA transit issues, but also have the opportunity to increase its visibility in improving transportation services in the county, especially for the elderly and disabled.

Section I

Introduction – Initial Review of RTPA Functions

The Mendocino Council of Governments (MCOG, Council) retained Michael Baker International to conduct its Transportation Development Act (TDA) performance audit covering the most recent triennial period, fiscal years (FY) 2012–13 through 2014–15. As a regional transportation planning agency (RTPA), MCOG is required by Public Utilities Code (PUC) Sections 99246 to prepare and submit an audit of its performance on a triennial basis to the California Department of Transportation (Caltrans) in order to continue to receive TDA funding.

This performance audit, as required by the TDA, is intended to describe how well MCOG is meeting its administrative and planning obligations under the TDA.

Overview of MCOG

In 1972, a joint powers agreement (JPA) was executed by the Cities of Fort Bragg, Point Arena, Ukiah, and Willits, and the County of Mendocino, which provided the legal basis for the Mendocino County and Cities Area Planning Council (MCCPC). The council was reconstituted in 1978 as the Mendocino Council of Governments through an amendment to the JPA. The JPA members recognized that Mendocino County was changing from an isolated, rural area to a relatively developed area with continuing expansion of its incorporated cities and formerly underdeveloped areas. The existence of MCOG was necessary for the members to qualify for allocation funds from the state and federal governments.

MCOG is the designated RTPA under state law (California Government Code Section 29532) responsible for the appropriation and administration of state TDA funds in the county. MCOG has the authority to function both as the RTPA for Mendocino County and as a Council of Governments. As the RTPA, MCOG has a long-standing Memorandum of Understanding with Caltrans to participate in coordinated and comprehensive transportation planning activities and have a formal public participation process. MCOG serves as a forum for the local and regional communities to make policy decisions affecting the county's transportation system. This is reflected in the planning and programming of local, state, and federal transportation funds toward projects that provide improved highway and road maintenance, safety, traffic congestion relief, alternative transportation, and economic development.

Among MCOG's roles and responsibilities are the following:

- Administration of TDA

- Transportation planning
- State/Regional Transportation Improvement Program
- Interagency relations
- Local agency support

MCOG also serves as the Service Authority for Freeway Emergencies (SAFE) of Mendocino County, administering the call box program. MCOG pioneered the use of satellite radio systems in its call boxes, in particular in rural areas with cell service issues and where vehicle accidents are more likely. In addition, MCOG has a role in the state's Regional Housing Needs Assessment process and in economic development. The JPA designates "any other specific power, including regional planning in other functional areas besides transportation and economic development, which has been expressly authorized by Resolutions adopted by the respective bodies of each of the parties to this agreement."

Population growth in Mendocino County was relatively stagnant over the past decade. According to the 2010 US Census, the county had a population of 87,841 residents, a 1.8 percent increase over the 2000 Census population of 86,265 persons. The population includes 59,156 residents in the unincorporated areas, 16,075 in Ukiah, 7,273 in Fort Bragg, 4,888 in Willits, and 449 in Point Arena. The 2016 population estimates by the Department of Finance show the county population to be 88,378.

MCOG Vision and Mission

The purpose of MCOG is to assist local governments in planning to address common needs, cooperating for mutual benefit, and coordinating for sound regional, community, and intercommunity development.

MCOG's Vision: Regional and local government working together to connect communities, create thriving town centers, and develop healthy, livable neighborhoods for drivers, cyclists, pedestrians, and transit riders.

MCOG's Mission: To provide regional, community, and intercommunity transportation planning; to administer transportation funding and financing; to represent Mendocino County's interests at higher levels of government; to develop transportation projects for future funding; to provide technical assistance for transportation project delivery; to support rural/public transportation services; to administer grants for transportation/ community enhancement projects; and to provide a forum to facilitate discussion on other matters of regional importance.

Organizational Structure

The MCOG Board of Directors is composed of seven members: two appointed representatives of the Mendocino County Board of Supervisors, one member from each of the four city councils, and one public appointee. Preference for the public appointee is given first to a countywide elected official, then to any registered voter of Mendocino County who has an interest in regional transportation issues. The MCOG bylaws that specified the location of Council meetings and appointments to the Board of Directors were amended in May 2013.

There are five standing committees of MCOG:

- Policy Advisory Committee
- Executive Committee
- Technical Advisory Committee (TAC)
- Social Services Transportation Advisory Council (SSTAC)
- Transit Productivity Committee (TPC)

The Policy Advisory Committee is composed of the board of directors as well as a representative of Caltrans District 1. The Council's agendas are structured such that the Caltrans representative, as a member of the Policy Advisory Committee, has a vote on all matters dealing with transportation.

The Executive Committee consists of the Council chair, the vice chair, and one member from a city or the County. The Executive Committee may carry on the administrative and executive functions of the Council between regular meetings of the Council. The Executive Committee may also oversee the personnel, budget, and policy issues and make recommendations to the full Council. The Council attempts to appoint members to the Executive Committee who reflect a balance between city and County representation.

The TAC serves as MCOG's independent technical committee to review material presented before it and make recommendations to the Council. The TAC consists of nine voting members or their authorized technical representatives, as follows: the County director of transportation, the County director of Planning & Building Services, the Mendocino Transit Authority (MTA) general manager, the Caltrans Transportation Planning Branch chief, one technical representative appointed by each of the four cities, and the County air pollution control officer. Additionally, one non-voting member is appointed by the North Coast Railroad Authority, with all other duties and privileges of TAC membership. A two-thirds majority of those members present voting in the affirmative is required for a decision. The MCOG executive director or the director's authorized representative is responsible for chairing the TAC.

The makeup of the SSTAC is prescribed by the TDA (Public Utilities Code Section 99238). MCOG staff serves the SSTAC, which participates in the annual unmet transit needs process and advises the MCOG board on the transportation needs of the elderly, disabled, and economically disadvantaged, as well as on any other major transit needs. Planning staff (program manager) is responsible for staffing the SSTAC (agendas, minutes, etc.) and administrative staff (deputy director) is responsible for the unmet transit needs process as part of the annual budget process. There are 10 membership positions on the SSTAC including representatives of the transit community, various social service provider representatives, low income representatives, and representatives of the consolidated transportation service agency (CTSA). The SSTAC also serves as the Local Review Committee to evaluate Federal Transit Administration Section 5310 program applications for vehicle and equipment purchases. The Local Review Committee reviews and ranks applications submitted by the senior centers and the transit operator and forwards the local ranking to Caltrans for statewide ranking and funding. An appeal process is also shown in the bylaws. SSTAC meetings are routinely held two to three times per year, in the fall and spring.

The TPC is tasked with reviewing transit performance and advising on updates to MCOG's adopted transit performance standards, making recommendations to MCOG on the annual transit claim, and providing input on the annual unmet transit needs process. Five members comprise the TPC: two representatives each from the MTA Board and MCOG Board, plus one senior center representative selected by the senior centers. Meetings are held at least once annually, or quarterly if warranted.

MCOG staff is currently provided through contracts with two private firms: Dow & Associates for administrative and fiscal services, and Davey-Bates Consulting for planning services. Prior to the division of MCOG responsibilities between the two firms, for a portion of the audit period, all staffing was under Dow & Associates. The functional review section of this audit describes the separation of duties.

Audit Methodology

To gather information for this performance audit, Michael Baker accomplished the following activities:

- Document Review: Conducted an extensive review of documents including various MCOG files and internal reports, committee agendas, and public documents.

- Interviews: Interviewed MCOG executive management and staff from Dow & Associates and Davey-Bates Consulting, and the transit operator, MTA.

- Analysis: Evaluated the responses from the interviews as well as the documents reviewed about MCOG's responsibilities, functions, and performance to TDA guidelines and regulations.

All of the above activities were intended to provide information necessary to assess MCOG's efficiency and effectiveness in two key areas:

- Compliance with state TDA requirements

- Organizational management and efficiency

The remainder of this report is divided into four sections. In Section II, Michael Baker reviews the compliance requirements of the TDA administrative process. Section III describes MCOG's responses to the recommendations in the previous performance audit. In Section IV, Michael Baker provides a detailed review of MCOG's functions, while Section V summarizes our findings and recommendations.

Section II

Compliance Requirements

Fourteen key compliance requirements are suggested in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities* developed by Caltrans to assess the RTPA's conformance with the TDA. Our findings concerning MCOG's compliance with state legislative requirements are summarized in Table II-1.

TABLE II-1
MCOG Compliance Requirements Matrix

MCOG Compliance Requirements	Reference	Compliance Efforts
All transportation operators and city or county governments which have responsibility for serving a given area, in total, claim no more than those Local Transportation Fund (LTF) monies apportioned to that area.	Public Utilities Code, Section 99231	MCOG accounts for its claimants' areas of apportionment and has not allowed those claimants to claim more than what is apportioned for their area. MCOG makes this finding in each adopted resolution approving LTF claims. The primary claimant of the funds is the MTA, which submits its claim in the amount recommended by the MCOG's Executive Committee as available for transit. **Conclusion: Complied.**
The RTPA has adopted rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles.	Public Utilities Code, Sections 99233.3 and 99234	MCOG apportions LTF revenue for bicycle and pedestrian facilities using the statutory budget limit of 2 percent after administration. The apportionment is optional depending on need and availability of revenue. MCOG has awarded the funds on a competitive application basis. The application form addresses various eligible, strategic, and customarily preferred uses of the funds. During the audit period, MCOG apportioned LTF for bicycle and pedestrian facilities in each of the three fiscal years. Partial

TABLE II-1 MCOG Compliance Requirements Matrix		
MCOG Compliance Requirements	**Reference**	**Compliance Efforts**
		reimbursements were made to the City of Ukiah for progress made on the Northwestern Pacific Rail Trail Phase I project. **Conclusion: Complied**
The RTPA has established a social services transportation advisory council. The RTPA must ensure that there is a citizen participation process which includes at least an annual public hearing.	Public Utilities Code, Sections 99238 and 99238.5	MCOG has established an SSTAC required under PUC 99238. The roles and responsibilities of the 10-member SSTAC are based on TDA guidelines. One position, a representative of a local social services provider for persons of limited means, has two members serving. MCOG holds an unmet transit needs public workshop/hearing each year which involves the SSTAC. **Conclusion: Complied**
The RTPA has annually identified, analyzed and recommended potential productivity improvements which could lower the operating costs of those operators which operate at least 50 percent of their vehicle service miles within the RTPA's jurisdiction. Recommendations include, but are not limited to, those made in the performance audit. • A committee for the purpose providing advice on productivity improvements may be formed. • The operator has made a	Public Utilities Code, Section 99244	MCOG's TPC serves in this capacity to review transit performance and make recommendations on the annual transit claim, and provide input on the annual unmet transit needs process. The five-member committee includes representatives from the transit operator, MTA, which makes efforts to implement the recommendations. Within this three-year period, the TPC addressed a prior performance audit recommendation to revise MCOG's transit productivity improvement program. The committee studied several proposed methods and approved one to evaluate the MTA's operating performance. In addition, MCOG commissions the triennial performance audit as well as

TABLE II-1 MCOG Compliance Requirements Matrix		
MCOG Compliance Requirements	**Reference**	**Compliance Efforts**
reasonable effort to implement improvements recommended by the RTPA, as determined by the RTPA, or else the operator has not received an allocation which exceeds its prior year allocation.		assists in the funding of Short Range Transit Development Plan updates, which detail productivity improvements. **Conclusion: Complied**
The RTPA has ensured that all claimants to whom it allocates Transportation Development Act (TDA) funds submits to it and to the state controller an annual certified fiscal and compliance audit within 180 days after the end of the fiscal year (December 27). The RTPA may grant an extension of up to 90 days as it deems necessary (March 26).	Public Utilities Code, Section 99245	MCOG is proactive in ensuring the TDA fiscal and compliance audits are completed, and maintains communication with the State Controller's Office. For FYs 2013 and 2014, the annual financial audits of the MTA were submitted within the extension period allowed by the statute. MCOG granted the extension each year. For FY 2015, the MTA financial audit was completed slightly after the granted extension date from MCOG. Increased workload and reduced administrative staff during the fiscal year impacted MTA's ability to undergo the audit. There were no non-transit TDA audits completed for the fiscal year ended June 30, 2013. A waiver was granted by the State Controller's Office as MCOG worked toward developing a cost-effective way to have the audits completed. MCOG issued a letter to all non-transit claimants advising them of the requirement to provide MCOG with annual TDA audit reports starting with the fiscal year ending June 30, 2014. The letter is issued each fiscal year to the local jurisdictions to remind them of the audit requirement and timeline. The local non-transit TDA audits are

TABLE II-1 MCOG Compliance Requirements Matrix		
MCOG Compliance Requirements	**Reference**	**Compliance Efforts**
		included in each local jurisdiction's regular annual fiscal audit. In FYs 2014 and 2015, a few non-transit TDA audits were submitted to the State Controller after the granted extension. **Conclusion: Compliance**, as significant progress was made by MCOG to coordinate the conduct and accountability of the annual fiscal audit for non-transit claimants in a cost-effective manner.
The RTPA has designated an independent entity to conduct a performance audit of operators and itself (for the current and previous triennium). For operators, the audit was made and calculated the required performance indicators, and the audit report was transmitted to the entity that allocates the operator's TDA monies and to the RTPA within 12 months after the end of the triennium. If an operator's audit was not transmitted by the start of the second fiscal year following the last fiscal year of the triennium, TDA funds were not allocated to that operator for that or subsequent fiscal years until the audit was transmitted.	Public Utilities Code, Sections 99246 and 99248	For the current three-year period, MCOG retained Michael Baker International to conduct the audit of the RTPA and MTA. Pacific Municipal Consultants was retained to conduct the previous audit for the three fiscal years that ended June 30, 2012. **Conclusion: Complied**
The RTPA has submitted a copy of its performance audit to the Director of the California Department of Transportation. In addition,	Public Utilities Code, Section 99246(c)	MCOG submitted a written letter to Caltrans, dated June 18, 2013, certifying compliance with this requirement. The letter was enclosed with the FY 2009/10–2011/12

TABLE II-1 MCOG Compliance Requirements Matrix		
MCOG Compliance Requirements	**Reference**	**Compliance Efforts**
the RTPA has certified in writing to the Director, that the performance audits of the operators located in the area under its jurisdiction have been completed.		performance audit of MCOG. A separate written letter to Caltrans indicating completion of the MTA performance audit was submitted August 5, 2013. **Conclusion: Complied**
The performance audit of the operator providing public transportation service shall include a verification of the operator's operating cost per passenger, operating cost per vehicle service hour, passengers per vehicle service mile, and vehicle service hours per employee, as defined in Section 99247. The performance audit shall include, but not be limited to, consideration of the needs and types of passengers being served and the employment of part-time drivers and the contracting with common carriers of persons operating under a franchise or license to provide services during peak hours, as defined in subdivision (a) of Section 99260.2	Public Utilities Code, Section 99246(d)	The performance audit of the MTA includes all required elements. **Conclusion: Complied**
The RTPA has established rules and regulations regarding revenue ratios for transportation operators providing services in urbanized and new urbanized areas.	Public Utilities Code, Section 99270.1 and 99270.2	This compliance requirement is not applicable as the MTA does not serve an urbanized area. **Conclusion: Not Applicable**

TABLE II-1 MCOG Compliance Requirements Matrix		
MCOG Compliance Requirements	**Reference**	**Compliance Efforts**
The RTPA has adopted criteria, rules and regulations for the evaluation of claims under Article 4.5 of the TDA and the determination of the cost-effectiveness of the proposed community transit services.	Public Utilities Code, Section 99275.5	In 1981, MCOG designated the MTA as the CTSA in Mendocino County. The MTA contracts with various senior centers to provide specialized transportation service to their clients. MTA does not claim Article 4.5 funds, but rather under Article 8 for this service. MCOG has not adopted rules and regulations for Article 4.5 claims. **Conclusion: Not applicable**
State transit assistance funds received by the RTPA are allocated only for transportation planning and mass transportation purposes. (Note: Since the June 9, 1990 passage of Proposition 116, state transit assistance funds may no longer be used for street and road purposes, as had been permitted in certain cases under PUC Section 99313.3).	Public Utilities Code, Sections 99310.5 and 99313.3 and Proposition 116	MCOG allocates State Transit Assistance (STA) funds for transit purposes only. **Conclusion: Complied**
The amount received pursuant to Public Utilities Code, Section 99314.3; by each RTPA for state transit assistance is allocated to the operators in the area of its jurisdiction as allocated by the State Controller's Office.	Public Utilities Code, Section 99314.3	MCOG allocates operator revenue-based STA funds to the MTA in accordance with the amounts published by the State Controller's Office. **Conclusion: Complied**
If TDA funds are allocated to purposes not directly related to public or specialized transportation services, or facilities for exclusive use of pedestrians and bicycles, the transit planning agency has annually:	Public Utilities Code, Section 99401.5	MCOG conducts an annual unmet transit needs process to solicit comment and feedback on potential transit needs. Although no TDA is allocated to streets and roads, MCOG continues to conduct a formal unmet needs process as a venue to work with the community and identify

TABLE II-1 MCOG Compliance Requirements Matrix		
MCOG Compliance Requirements	**Reference**	**Compliance Efforts**
• Consulted with the Social Services Transportation Advisory Council (SSTAC) established pursuant to Public Utilities Code, Section 99238; • Identified transit needs, including: o Groups that are transit-dependent or transit disadvantaged, o Adequacy of existing transit services to meet the needs of groups identified, and o Analysis of potential alternatives to provide transportation services; • Adopted or re-affirmed definitions of "unmet transit needs" and "reasonable to meet;" • Identified the unmet transit needs and those needs that are reasonable to meet; Adopted a finding that there are no unmet transit needs that are reasonable to meet; or that there are unmet transit needs including needs that are reasonable to meet. If a finding is adopted that there are unmet transit needs, these needs must have been funded before an allocation was made for streets and roads.		transit needs. MCOG works through the SSTAC and TPC, and cooperatively with the MTA, for this process. The MTA also solicits and compiles transit needs from the public year-round at its board meetings. MCOG adopts resolutions of the findings of unmet needs based on recommendations made by the TPC. **Conclusion: Complied**

TABLE II-1 MCOG Compliance Requirements Matrix		
MCOG Compliance Requirements	**Reference**	**Compliance Efforts**
The RTPA has caused an audit of its accounts and records to be performed for each fiscal year by the county auditor, or a certified public accountant. The RTPA must transmit the resulting audit report to the State Controller within 12 months of the end of each fiscal year, and must be performed in accordance with the Basic Audit Program and Report Guidelines for California Special Districts prescribed by the State Controller. The audit shall include a determination of compliance with the transportation development act and accompanying rules and regulations. Financial statements may not commingle the state transit assistance fund, the local transportation fund, or other revenues or funds of any city, county or other agency. The RTPA must maintain fiscal and accounting records and supporting papers for at least four years following the fiscal year close.	California Administrative Code, Section 6662	The accounting firm of Burr, Pilger, Mayer conducted the financial audit of MCOG in 2013. R.J. Ricciardi, Inc. conducted the financial audit for FYs 2014 and 2015. The Basic Financial Statements were submitted to the State Controller within 12 months of the end of each fiscal year. MCOG also maintains fiscal and accounting records and supporting papers for at least four years following the fiscal year close. **Conclusion: Complied**

Findings from RTPA Compliance Requirements Matrix

MCOG has satisfactorily complied with applicable state legislative mandates for RTPAs. One compliance measure that did not apply to MCOG pertains to adopting rules and regulations for TDA claims under Article 4.5. There were no such claims submitted during the audit period.

To its credit, MCOG made progress to coordinate the conduct of the annual fiscal audit for non-transit claimants in a cost-effective manner. MCOG's updated internal policy on the conduct of these fiscal audits is intended to provide adequate, cost-effective, and reasonable compliance with this requirement. The cost of the audit could be substantial relative to the TDA funding allocated to the local jurisdiction. The statute does not place a threshold on TDA funding amounts to trigger an audit, but simply that, under PUC Section 99245, all claimants receiving an allocation are subject to an annual audit. MCOG has resolved this matter by issuing letters to local jurisdictions that indicate a cost-effective solution of including the TDA audit in each local jurisdiction's regular annual fiscal audit.

Section III

Prior Triennial Performance Audit Recommendations

This chapter describes MCOG's response to the recommendations included in the prior triennial performance audit. Each prior recommendation is described, followed by a discussion of the agency's efforts to implement the recommendation. Conclusions concerning the extent to which the recommendations have been adopted by the agency are then presented.

Prior Recommendation 1

MCOG should evaluate the merits of alternative methods to develop transit performance standards.

Actions taken by MCOG:

The prior performance audit found that MTA operational cost trends that measure standards such as operations cost on a per service hour or per passenger basis have not tracked closely to CPI adjustments alone. This recommendation proposed alternatives to making adjustments to the benchmarks that could provide more meaningful measurements. A series of alternatives were presented for MCOG consideration and to determine which alternative, or combination thereof, would best meet the needs of the TPC.

MCOG staff worked with the TPC for over a year to discuss, test, and approve one of the alternatives for evaluating MTA performance. TPC meeting notes taken during the current audit period describe the in-depth evaluation by the TPC and the methodology to implement the alternative. The number of alternatives was narrowed from six to three, and MCOG staff validated each of the three against actual MTA data. At its May 2014 meeting, the TPC voted in favor of the "CPI Adjusted Rolling Average" update to MCOG's cost per vehicle service hour and cost per passenger transit performance standards.

Conclusion:

This recommendation has been implemented.

Prior Recommendation 2

Consider an alternate funding formula for senior center TDA funds.

Actions taken by MCOG:

It was found in the prior performance audit that the current formula for allocating TDA funds to the senior centers does not account for performance of the respective systems, leading to a suggestion for an alternative funding formula.

Implementation of this recommendation is pending the MTA serving as the CTSA, although MCOG has authority to instigate the matter. The MTA indicated that the topic of TDA fund allocation to the senior centers remains on the table, but no action is warranted at this time. Currently, each eligible senior center receives an equivalent increase in TDA funding. Factoring performance as a measure of funding has merit; however, the subject is sensitive and should be undertaken at an appropriate time or as operating conditions change to promote this discussion.

Conclusion:

This recommendation has not been implemented and is forwarded for ongoing consideration and implementation.

Prior Recommendation 3

Consider alternative approaches for conducting non-transit TDA fiscal audits.

Actions taken by MCOG:

During the previous audit period, the conduct of non-transit TDA fiscal audits followed past MCOG policy which, for cost-effective reasons, did not enable an annual audit of all local jurisdictions that received TDA funds for planning and bicycle/pedestrian facilities. Because the TDA statute requires that these fiscal audits be completed, a few suggestions were made to aid in the cost effectiveness and/or expansion of the fiscal audit to be in better compliance with the statute.

In letters submitted to the local jurisdiction claimants, MCOG advised them of the requirement to provide MCOG with annual TDA audit reports starting with the fiscal year ending June 30, 2014. The letter is issued each fiscal year to the local jurisdictions to remind them of the audit requirement and timeline. The cost-effective approach selected by MCOG from those suggested in the prior performance audit is to include the non-transit TDA audits in each jurisdiction's regular annual fiscal audit. This alternative transfers the responsibility for preparing a separate audit from MCOG to the claimants, who could integrate the TDA audits into their respective full annual fiscal audits.

Conclusion:

This recommendation has been implemented.

Prior Recommendation 4

Strengthen existing role and explore additional functions of the Social Services Transportation Advisory Council (SSTAC).

Actions taken by MCOG:

The prior performance audit described that SSTACs could be assigned functions beyond their primary involvement in the unmet transit needs process. Given that the TPC is charged with making the determination of unmet transit needs that are reasonable to meet, the SSTAC should be clearly made aware of the analysis and discussion of the TPC. This would allow for further vetting of the analysis and potential implications on social service transportation providers.

MCOG now convenes an additional SSTAC meeting each May to invite responses to the TPC recommendations on unmet transit needs developed during the previous fall and winter, before the Council takes action in June. This action partially implements the prior recommendation, which also suggested that, what with demand growing for specialized transportation and the ongoing need to provide cost-effective service, MCOG should work with the MTA and SSTAC to further engage the SSTAC on additional specialized transportation service issues where its insight and familiarity would add value. These could include topics relating to mobility management, transportation planning and public health assessment, and CTSA functions. The SSTAC would continue to be informed of MCOG and MTA transit issues, but also have the opportunity to increase its visibility in improving transportation services in the county, especially for the elderly and disabled.

Conclusion:

This recommendation has been partially implemented and is forwarded for full implementation.

Section IV

Detailed Review of RTPA Functions

In this section, a detailed assessment of MCOG's functions and performance as an RTPA during this audit period is provided. Adapted from Caltrans's *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, MCOG's activities can be divided into the following activities:

- Administration, management, and coordination
- Transportation planning and programming
- TDA claimant relationships and oversight
- Marketing and transportation alternatives
- Grant applications and management

Administration, Management, and Coordination

MCOG's contract staff had previously been composed of personnel employed by Dow & Associates. A pre-award audit conducted by Caltrans starting in the spring of 2013 through January 2014 made several findings and recommendations, among them that the professional services agreement between MCOG and Dow & Associates created a conflict of interest in violation of state statutes and/or federal regulations.

MCOG responded with supporting documentation to the findings and recommendations to Caltrans in November 2013. With regard to the conflict of interest finding, the MCOG Board of Directors, acting on the recommendation of County legal counsel, took action in December 2013 to remove this conflict of interest by approving the issuance of two separate requests for proposals (RFP): one for executive director/administrative and fiscal services, and the other for transportation planning services.

As part of the corrective action plan, the County took the lead on the procurement process and issued these two RFPs in March 2014. The RFPs issued were the first in over 15 years for these services. During the process, MCOG neither accepted nor awarded bids on both solicitations from the same party. Due to overlapping fiscal years for the procurement process, the existing Dow & Associates contract was extended to September 2014. Following the RFP process, MCOG awarded one contract to Dow & Associates for administrative and fiscal services, and the other to Davey-Bates

Consulting for planning services at the end of September 2014. Other corrective actions taken by MCOG from the Caltrans pre-award audit were on the subjects of procurement practice and internal controls, including adoption of a *Procurement Policies and Procedures Manual*. Evidence of compliance with the corrective action plan were addressed and developed to satisfy the recommendations.

Both Dow & Associates and Davey-Bates Consulting have their own clerical staff and overhead costs, which is somewhat duplicative. Roles among staff have remained the same as before the split and expertise is generally developed in-house, with outside assistance used for special projects. Other inefficiencies have been identified, such as additional steps to process invoices. During this transition, a senior transportation planner shifted roles from serving MCOG to serving Lake County/City Area Planning Council, to which Dow & Associates provides planning services.

MCOG continued efforts on a records retention and destruction policy for a working records management system. The policy has been for MCOG to log action of every file due for destruction in a database, and to scan records for retention in support of a transition to electronic records retention. The policy is based on the California Secretary of State's 2006 Local Government Records Management Guidelines, which include records retention policies of the City Clerks Association of California. The records database is organized by a numbered system of labels and digitized for electronic storage and backed up using cloud computing. This is a significant undertaking given the number of files stored at MCOG's offices. Staff obtains both electronic and hard copy versions of materials for inventory filing in an indexed documents library and posting on the MCOG website. Extensive progress was made in the destruction of obsolete paper files.

MCOG provides assistance and coordinated efforts to its member agencies. Since FY 2011–12, MCOG has approved $90,000 annually from the Regional Surface Transportation Program (RSTP) for a regional project manager to work with MCOG member agencies to provide local assistance and funding support. This action was a result of the board's strategic planning process, with a view toward developing plans for funding and project implementation. Local agencies engage in partnerships with MCOG and have been more open toward collaboration and helping each other. MCOG staff has assisted with applying for and obtaining transportation grants for mode-specific improvements for the smaller jurisdictions and communities such as Laytonville, Westport, Point Arena, and Covelo. MCOG also played a key role in securing Active Transportation Plan (ATP) grants for nonmotorized projects and plans.

MCOG work activities are prioritized in the annual Overall Work Program (OWP) and accompanying budget adopted by the board. The OWP and budget describe the transportation planning projects and required mandates that are to be undertaken and funded for the upcoming fiscal year. Board-approved amendments to the OWP are made as changes occur during the year to the projects and/or funding. There were three amendments each in FYs 2012–13 and 2013–14, and five amendments made in FY 2014–15.

MCOG was responsible for the implementation of 15 projects and 26 work elements in the FY 2013 OWP, 16 projects and 25 work elements in FY 2014, and 14 projects and 23 work elements in FY 2015. MCOG works jointly with the local jurisdictions, the transit operator, and air quality management district responsible for some of the projects in the OWP. Examples of these projects include stormwater systems, way-finding signage, minor studies and data gathering on county roads and city streets, bus stop review project, countywide transit ridership survey, and zero emission vehicle regional readiness plan.

Transportation Planning and Programming

An important planning project that was carried over into the audit period was completion of the *Vision Mendocino 2030 Blueprint Plan*. Work was completed for Phase 3, to develop a regional blueprint plan for sustainable change in Mendocino County over the next 20 years. The Blueprint plan began in the spring of 2009 (with the first two phases having been completed prior to this audit period), which focused on development of alternate scenarios and final plans. Phase 4 focused on developing tools, resources, and skills to implement Vision Mendocino 2030 in local communities and at the regional level. The final blueprint plan was adopted by MCOG on December 2, 2013. This comprehensive planning process spanned four phases funded through federal blueprint planning grants, and included a thorough public outreach process including direct consultation with each Native American tribe in the county as well as partnerships with the county and cities.

In FY 2013–14, MCOG initiated Phase 1 of the update to the 2010 Regional Transportation Plan (RTP) to review goals, objectives, and policies. Phase 2 of the RTP update began in FY 2014–2015; however, a decision was made by the MCOG board in December 2014 to halt work on the update and adopt a revised update schedule to shift from a five-year update cycle to a four-year cycle. This change in RTP cycles was needed to allow an increase in the planning period for the Regional Housing Needs Assessment from a five-year to an eight-year cycle. This decision reset the next RTP update due date to December 2017.

The current update to the RTP goals and policies would closely reflect those in the Blueprint and from Senate Bill (SB) 375 supporting the State's climate action goals to reduce greenhouse gas emissions through coordinated transportation and land use planning. According to MCOG staff, no large-scale projects will likely be proposed in the RTP update, although the ATP will be part of the RTP. Countywide and regional modeling through interregional partnerships with neighboring transportation planning agencies was initially thought to be a part of the process to develop performance measurements in the RTP. However, MCOG learned that this modeling is not required for the RTP update.

In addition, an enhanced public process for the RTP has been shaped to comply with the extensive reach of community input required by state and federal law. MCOG continues to provide these various public outreach methods to ensure continued opportunities for public participation, and encourage attendance at MCOG meetings. Consultation with the Native American community also continues on a direct communication basis with each tribal government in the county, in addition to encouraging Native American public participation through Native American communities, organizations, groups, and individuals. During the audit period, MCOG increased efforts to include the county's 10 federally recognized tribal governments in the earliest stages of the transportation planning process by inviting their representatives to TAC meetings, which provided a forum for early discussion of many of MCOG's programs and projects. All input gained through this ongoing public participation process is reviewed and evaluated for integration into plans, projects, and policies, as appropriate.

In March 2015, MCOG completed an update to the *Coordinated Public Transit–Human Services Transportation Plan* which was last developed in 2008 as a requirement under federal transportation law. The update was part of a Caltrans-funded statewide consultant contract with the University of the Pacific, with participation by MCOG staff, and included a thorough public outreach process to obtain input on development of the plan. The SSTAC was also instrumental in development of this plan. The plan includes a comprehensive strategy to maximize public transportation service delivery and address transportation priorities for the countywide service area. Prior to adopting the plan update, MCOG held a legally noticed public hearing.

MCOG prepares and submits the Regional Transportation Improvement Program (RTIP) to Caltrans every two years. In December 2013, MCOG adopted and submitted the 2014 RTIP which programs available Regional Improvement Program funds totaling over $7 million from the 2014 State Transportation Improvement Program Fund Estimate. MCOG accepted applications for projects which were competitively scored by the TAC using criteria adopted by MCOG. New State Transportation Improvement Program funding was programmed for five projects: North State Street interchange improvements, downtown streetscape projects in Ukiah and Gualala, roundabout construction in Ukiah, and main street bicycle and pedestrian access in Fort Bragg. Funding for one construction project, to provide improvements along State Route 1 through Gualala, was reserved. Minor changes to existing projects are also included in the RTIP. A balance in funding was maintained for future programming.

TDA Claimant Relationships and Oversight

This functional area addresses MCOG's interaction with TDA claimants and its administration of the provisions of the TDA. The subfunctions include costs to administer the program, TDA claims processing, and transit performance monitoring. As all Local Transportation Funds (LTF) have been used for public transit purposes, state law does not require MCOG to undertake a formal unmet transit needs process. However, MCOG is commended for continuing this practice and working with the MTA to soliciting unmet transit needs. A public workshop is held each year in compliance with the statute, which requires at least one public hearing in the citizen participation process. MCOG provides proper legal noticing and advertising of the public hearing in general circulation publications (four area newspapers and community newsletters), on an email listserv, and on the MCOG website. In addition, the TPC makes recommendations based on unmet needs analyses and evaluations of performance indicators of MTA services. These recommendations are shared with the SSTAC for review and comment. A formal finding of unmet transit needs that are reasonable to meet is made to the Council for adoption by resolution. For FY 2012-13 a finding was made that "there are unmet transit needs that are reasonable to meet, contingent on further analysis", listing four needs.

MCOG Administration and Planning

The uses of TDA revenues apportioned to Mendocino County flow through a priority process prescribed in state law. MCOG is able to allocate LTF revenues for TDA administration and planning purposes. During the audit years of 2013 through 2015, MCOG claimed the following total amounts:

Table IV-1
LTF Claims by MCOG for
Administration, Planning, and Programming

Fiscal Year	Administration of TDA & Planning and Programming
2013	$423,725
2014	$423,725
2015	$504,230

Source: Annual MCOG Financial Statements, Schedule of Allocations, Expenditures, and Operating Transfers

Based on the above table, in FY 2013, the amount claimed by MCOG equaled approximately 12.8 percent of total LTF allocations ($3,299,480). In FY 2014, the amount was 12.2 percent (out of $3,464,392), and for FY 2015, the amount was 15.0 percent (out of $3,368,684). The higher allocations for MCOG in FY 2015 were to cover staffing cost increases due to loss of efficiencies under MCOG's reorganization resulting from the Caltrans pre-award audit. The administration budget had remained static for the past four years until this organizational change, which increased administrative costs by about 24 percent.

LTF funds are allocated to eligible agencies including MCOG, local jurisdictions for bike/pedestrian projects, and the MTA for public transportation. MCOG has an existing adopted reserve policy to set aside the larger of $100,000 or 5 percent of the County Auditor's official LTF estimate. Conditions for their use are when actual LTF revenues fall short of LTF budget allocations, or extreme or unusual circumstances warrant an additional allocation. LTF reserve funds are available for transit services provided by the MTA which have been funded by MCOG through the annual transit claims and budget process.

During the recession, the fund was depleted to cover MTA revenue shortfalls and the policy was waived over the next several years for lack of available funds. The policy was partially waived for FY 2012–13, with only $28,000 reserved. For FY 2013–14, the Executive Committee recommended that MCOG again partially waive the policy and set the reserve fund balance at 3 percent ($92,000) of the auditor's estimate, while affirming its LTF reserve policy to reach a 5 percent fund balance by FY 2014–15. However, for FY 2014–15, the Executive Committee recommended that MCOG again partially waive the policy and set the reserve fund balance at 3 percent ($97,000) of the auditor's estimate, and release for allocation.

MCOG also has a Capital Reserve Fund policy for transit capital asset improvements. Eligible entities include the MTA and agencies under contract with the MTA, such as the senior centers. Capital projects drawing against the capital reserve fund must be consistent with the MTA five-year capital program.

TDA Claim Processing

On an annual basis during this audit period, MCOG was responsible for managing the apportionment of between $3.3 and $3.5 million in LTF revenues, and up to $727,000 (FY 2012-13) in State Transit Assistance (STA) funds (including carryover). STA allocations were lower in the ensuing two fiscal years.

Preliminary TDA apportionments are released in February, and TDA claims are due to MCOG by April prior to the fiscal year of the claim. To its credit, MCOG uses a locally derived claims checklist to ensure that proper information is submitted by the MTA with the TDA claim. The checklist shows 10 different items that must be presented including current and previous budgets, CHP inspection certification, capital plan, and compliance with audit recommendations. A second checklist of nine findings for compliance with TDA is also developed as a condition of the operator's eligibility for the funds. The checklists provide uniformity to the claims process and ensure that adequate information is provided to substantiate the claim for TDA revenues.

An in-house TDA manual is also available, which provides a chronology of key dates in the TDA process. Last updated in July 2008, the manual provides a checklist of activities by month including the unmet transit needs process in the fall, due dates for various audit reports, board resolution preparation, and budgeting. State legislation was passed in October 2015 that affects certain aspects of TDA administration. Among these changes, SB 508 modifies the inputs in how the farebox recovery ratio is calculated for continued receipt of TDA funds by the transit operator, as well as application of the eligibility test to use STA for operations. MCOG should document these changes in its TDA manual and notify MTA of the adjustments.

TDA Allocations for the MTA/Senior Center Transportation

As part of the MTA claim, a certain level of TDA funds are provided to the senior center transportation services that are under contract to MTA. As the designated CTSA, the MTA contracts with five senior centers to provide specialized services for their clients. The level of TDA funds to subsidize the special services is capped at 88 percent of total operations cost per senior center. The remaining 12 percent is matched by fares and other revenue dedicated by the senior centers to their respective transit programs. The total operating subsidy for the senior centers ranged from $401,723 in FY 2013 to $428,521 in FY 2014 and to $439,475 in FY 2015, which is approximately 18.5 percent of MTA's annual allocation of LTF to provide public transportation. Changes in revenue amounts during the audit period trickle down to each senior center on a proportional basis, meaning each senior center's TDA is increased by the same percentage relative to its subsidy amount. While these amounts have not reached the cap of 88 percent, MTA budgets show that the total subsidy percentage for senior center operations has increased the last three years, increasing from 74 percent in FY 2013 to 82 percent in FY 2014, and to 84 percent in FY 2015. The subsidy amounts do not include MTA administrative costs.

Since 1996, the MTA and the senior centers have agreed to share equally in the percentage change in LTF funding available for transit operations. Historically, the formula to allocate the share of TDA to each senior center was based on agreements made in the mid-1990s, and does not appear to account for any performance-based criteria. MTA staff, in collaboration with MCOG, has been preliminarily exploring the possibility of changing the formula to allow more flexibility for some centers to increase service and others to cut back or hold even. Because of the economic recession, decreased revenue, and personnel changes at the MTA during the audit period resulting in increased workload and reduced administrative staff, this research has been placed on hold. The MTA Short-Range Transit Plan recommended that the MTA work more closely with the poorer performing centers to improve their performance, while suggesting that the other centers get involved in the ADA component of the local bus service. The prior performance audit also suggested an alternative funding formula for consideration by MCOG and MTA for allocation of TDA funds for senior center transportation. This prior recommendation is carried over in this audit for further consideration.

Transit Performance Monitoring

The TPC provides a venue for MTA and MCOG elected officials, a senior center representative, and staff to communicate about transit service needs and productivity. As described in Section III, MCOG staff worked with the TPC in developing alternative methods for evaluating transit performance. MCOG tested the options and the TPC ultimately approved one of the alternatives, the "CPI Adjusted Rolling Average," for evaluating MTA performance.

At the TPC meeting in April 2015, MCOG presented the analysis from its first application of the new method by mode and service type, such as dial-a-ride, short-distance bus routes, long-distance bus routes, and senior centers. Most services were meeting the four new performance standards based on a three-year rolling average while the approach was going according to plan. Discussion is documented in relation to the performance results and possible explanations offered. The TPC noted that one positive aspect of the recession was that some underperforming routes were cut.

Marketing and Transportation Alternatives

MCOG undertakes a series of public information efforts to gain public input and release information about its projects. MCOG has in place a Public Participation Plan which meets federal transportation mandates and outlines goals and strategies that provide reasonable opportunities for all interested parties and agencies to be involved in the transportation planning process. Generally, a significant public participation program is implemented for large planning endeavors, such as the RTP update and completion of the Blueprint. Workshops are held in smaller communities in the county to promote public participation.

Public access to MCOG board meetings has been enhanced through the recording of meetings that are made available on the Internet. As of January 2016, all MCOG regular board meetings are available for viewing at County of Mendocino's YouTube site. Meeting video archives from 2010 to 2015 are available at Mendocino Access Television located at http://mendocinoaccess.org/.

Information about MCOG and its work is available through the MCOG website (http://www.mendocinocog.org/). The website contains information about the agency's role in current transportation projects and programming; transportation plans (RTP, RTIP, etc.); board meeting agendas and minutes; news and issues; transportation links; and library listing of past projects and studies. MCOG staff also maintains an active email listing for electronic transmission of information. Four list services are available for subscription, including public transit, transportation grants, MCOG board agendas, and MCOG news and notices. The agency makes an effort to provide regular online updates of projects and activities under the website's news and issues header.

Alternative transportation is promoted by MCOG in part through its involvement in assisting local jurisdictions to secure grants through the ATP to fund nonmotorized projects and plans. The ATP is also integrated into the goals and policies of the long-range RTP update. In addition, alternative modes of travel, including vanpools, were implemented by MTA and discussed at SSTAC meetings. One of the vanpools has been successful with a dedicated driver. An attempted volunteer driver/ride match program called the “e-ride” pilot program in Covelo and Laytonville had problems; part of the grant could not be used for operations, only capital costs, and so there were not enough funds for insurance, marketing, vouchers, and other operational costs.

Grant Applications and Management

MCOG provides support to the MTA and the senior centers for various state and federal grant programs available for transit. MCOG supports the MTA in its application of Proposition 1B Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) funds and Transit System Security for capital acquisition. The MTA is the project sponsor for application of the funds, and MCOG provides certification that the projects being funded are consistent with the region’s transportation program and ensures all expenditure reporting procedures to the state are met. MCOG programs transit investment projects in required regional improvement plans to enable state and federal transit funds to be passed through to the MTA. MCOG and MTA staff stay aware of federal grant opportunities and work cooperatively to secure grants, including Federal Transit Administration 5304, 5307 (state of good repair), 5310, 5311, and 5311(f)) fund sources for planning, capital, and operations activities. The MTA prepares the grant application, and MCOG is reviewing how better to support MTA’s grant efforts in light of reduced staffing at the MTA.

MCOG procured a California Energy Commission grant subcontract for an alternative transportation fuels regional readiness plan in cooperation with four other rural northern California counties. MCOG also played a key role in helping to secure three ATP grants to fund safe routes to schools study and bicycle and trail improvements. The Mendocino County Safe Routes to School Plan prepared for the Mendocino County Department of Transportation was completed in April 2014. Also, an ATP grant MCOG staff secured for trail improvements included $3 million to build a Class I trail in Round Valley where the fatality rate on SR-162 is 25 times the statewide average. An ATP study using ATP non-infrastructure plan funds was also in the process of being developed after the audit period. The ATP program combines several programs including Transportation Alternatives Program, Safe Routes to School, Recreational Trails, Environmental Enhancement & Mitigation, Bicycle Transportation Account, and Federal Safety/other federal funds that MCOG participates in. MCOG’s goal is to assist in the grant application with the intention to hand off the process to the local jurisdictions to undertake independently.

Section V

Findings and Recommendations

The following material summarizes the major findings obtained from the triennial audit covering FYs 2013 through 2015. A set of recommendations is then provided.

Findings

1. MCOG has satisfactorily complied with applicable state legislative mandates for RTPAs. One compliance measure that did not apply to MCOG pertains to adopting rules and regulations for TDA claims under Article 4.5. There were no such claims submitted during the audit period.

2. To its credit, MCOG made progress to coordinate the conduct of the annual fiscal audit for non-transit claimants in a cost-effective manner. MCOG's updated internal policy on the conduct of these fiscal audits is intended to provide adequate, cost-effective, and reasonable compliance with this requirement.

3. Of the four prior performance audit recommendations, MCOG implemented two, partially implemented one, and did not implement another. MCOG developed an updated transit productivity evaluation method, and an approach toward conducting non-transit TDA fiscal audits. MCOG partially implemented the recommendation pertaining to strengthening the role of the SSTAC, and did not address the recommendation concerning an alternative funding formula for senior center TDA funds. The funding formula is pending MTA's lead serving as the CTSA, although MCOG has authority to instigate the matter.

4. A pre-award audit conducted by Caltrans made several findings and recommendations, among them that the professional services agreement between MCOG and Dow & Associates created a conflict of interest in violation of state statutes and/or federal regulations. The MCOG Board of Directors took action in December 2013 to remove the conflict of interest by approving issuance of two separate requests for proposals: one for executive director/administrative and fiscal services (per RFP and contract), and the other for transportation planning services. Higher TDA fund allocations for MCOG administration were to cover staffing cost increases due to loss of efficiencies under MCOG's reorganization.

5. For the past several years, MCOG has approved funds annually from the Regional Surface Transportation Program for a regional project manager to work with MCOG member agencies to provide local assistance and funding support. Staff has assisted

with applying for and obtaining transportation grants for mode-specific improvements for the smaller jurisdictions and communities.

6. MCOG continued efforts on a records retention and destruction policy for a working records management system. The policy has been for MCOG to log action of every file due for destruction in a database, and to scan records for retention in support of a transition to electronic records retention. The policy is based on the California Secretary of State's 2006 Local Government Records Management Guidelines, which include records retention policies of the City Clerks Association of California.

7. An important planning project carried over into the audit period was completion of the *Vision Mendocino 2030 Blueprint Plan*. The current update to the RTP goals and policies would closely reflect those in the Blueprint and the further implementation of SB 375. An enhanced public process for the RTP has been shaped to comply with the extensive reach of community input required by state and federal law.

8. MCOG completed an update to the *Coordinated Public Transit–Human Services Transportation Plan* in March 2015 as part of a Caltrans-funded statewide consultant contract to maximize public transportation service delivery and address transportation priorities for the countywide service area. Prior to adopting the plan update, MCOG held a legally noticed public hearing.

9. MCOG is commended for continuing the practice of conducting a formal unmet transit needs process and holding a public workshop each year in compliance with the TDA statute. State law does not require MCOG to undertake a formal unmet transit needs process since no TDA funds are provided for street and road purposes. Rather, it is a product of the agency’s proactive practices with public involvement and collaboration with MTA while maintaining critical input from the TPC.

Triennial Audit Recommendations

1. Update MCOG TDA manual for inclusion of new state legislation.

New legislation (SB 508) passed in October 2015 significantly modified several provisions of TDA. The legislation has several objectives, including simplifying fare recovery requirements; authorizing funding of bicycle and pedestrian safety education programs; and modifying STA qualifying criteria for operations. MCOG's TDA manual should be updated to reflect these changes and identify the responsible party for implementing the updates, such as the fiscal auditor for the farebox recovery calculation. MCOG should also communicate these changes to the transit system and determine what implication, if any, the changes might have on its transit operations.

SB 508 rationalizes performance metrics, for example, by applying the same operating cost exemptions to both the farebox recovery ratio and the STA qualifying criteria. In addition, this bill clarifies a few terms that should help ensure expectations are applied uniformly to the transit operator. Highlights of the bill are summarized below.

Farebox Recovery

- Deletes the requirement for transit operators to maintain higher farebox requirements based on 1978–79 fiscal year.
- Revises definition of "local funds" to mean any nonfederal or nonstate grant funds or other revenues generated by, earned by, or distributed to an operator.
- Revises definition of "operating cost" to exclude principal and interest payments on capital projects funded with certificates of participation.
- Exempts startup costs for new transit services for up to two years.
- Exempts additional categories of expenditures from "operating cost" (cost increases above the Consumer Price Index for fuel, alternative fuel programs, power, insurance premiums and claims, and state and federal mandates).

Claims for Funds

- Authorizes the funding of bicycle and pedestrian safety education programs up to 5 percent of the 2 percent bicycle and pedestrian allocation found under Article 3 (PUC Section 99234(a)).

STA Qualifying Criteria for Operations

- Uses of a "sliding scale" to reduce the operator's STA allocation for operations, rather than "pass/fail."

- STA qualifying criteria requirement is exempt through fiscal year 2015–16.

- New "sliding scale" effective July 1, 2016.

The farebox recovery ratios calculated in the next annual TDA fiscal audit should account for these changes, given that operator eligibility for TDA funds is determined in large part by the audited farebox ratios. The revised STA sliding scale test that MCOG must also apply would have certain budgeting and planning implications for those operators that use the revenue for operations.

2. *Consider an alternate funding formula for senior center TDA funds*.

A carryover from the prior performance audit, the MTA and/or MCOG would take the lead with the other agency providing administrative and technical support to address the current formula for allocating TDA funds to the senior centers which does not account for operational performance of the respective systems. A request for more data for performance review could be made by both agencies to develop trends leading to discussion of the formula. An alternative funding formula is suggested for consideration as conditions warrant a review. As described in the prior performance audit, the alternate formula would follow a similar structure to the existing STA formula, where a certain portion of the allocation to a transit system is based on performance and the remaining portion is based on the discretion of the RTPA.

The suggested formula for the senior center TDA allocation would have two portions: one based on fare revenue/dedicated local support generated by each senior center, and the other based on an amount approved by MCOG/MTA/TPC. While the split of this allocation would not have to be on a 50/50 basis, like the STA fund, discussion could be held to determine an appropriate amount.

For the fare revenue portion, each senior center would receive revenue based on its share of fare revenue and local support relative to total fare and local support revenue generated by all senior centers. The remaining TDA amount would come from the discretionary portion, which would be determined by the TPC and based on need, budgets, or other criteria. The purpose of the suggested formula is to tie in a certain measure of performance that is already present in the funding process (senior center fare revenues provide local match to TDA) but to incentivize the recipients to increase productivity. As shown in this audit, the TDA subsidy amount provided by the MTA to the senior centers increased the past three years as a percentage of total costs, and is close to reaching the agreed-upon subsidy cap.

3. ***Strengthen existing role and explore additional functions of the Social Services Transportation Advisory Council (SSTAC).***

   A carryover from the prior performance audit, MCOG has partially implemented the recommendation through convening the SSTAC to review and provide responses to the Transit Productivity Committee's recommendation on unmet transit needs. With demand growing for specialized transportation and the ongoing need to provide cost-effective service, MCOG should continue work with the MTA and SSTAC to further engage the SSTAC on additional specialized transportation service issues where its insight and familiarity would add value. These could include presentation and discussion of plans, studies and projects relating to mobility management, transportation planning and public health assessment, public outreach on specialized issues, and CTSA functions. The SSTAC would continue to be informed of MCOG and MTA transit issues, but also have the opportunity to increase its visibility in improving transportation services in the county, especially for the elderly and disabled.