



FYs 2013-2015 Triennial Performance Audit of City of Ceres Transit Services



Submitted to Stanislaus
Council of Governments

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Section I

Introduction

California's Transportation Development Act (TDA) requires that a triennial performance audit be conducted of public transit entities that receive TDA revenues. The performance audit serves to ensure accountability in the use of public transportation revenue.

The Stanislaus Council of Governments (StanCOG) engaged Michael Baker International to conduct the TDA triennial performance audit of the public transit operators under its jurisdiction in Stanislaus County. This performance audit is conducted for the City of Ceres Transit Services (City, Ceres) covering the most recent triennial period, fiscal years 2012–13 through 2014–15.

The purpose of the performance audit is to evaluate the City's effectiveness and efficiency in its use of TDA funds to provide public transportation in its service area. This evaluation is required as a condition for continued receipt of these funds for public transportation purposes. In addition, the audit evaluates the City's compliance with the conditions specified in the California Public Utilities Code (PUC). This task involves ascertaining whether the City is meeting the PUC's reporting requirements. Moreover, the audit includes calculations of transit service performance indicators and a detailed review of the transit administrative functions. From the analysis that has been undertaken, a set of recommendations has been made which is intended to improve the performance of transit operations.

In summary, this TDA audit affords the opportunity for an independent, constructive, and objective evaluation of the organization and its operations that otherwise might not be available. The methodology for the audit included in-person interviews with management, collection and review of agency documents, data analysis, and on-site observations. The *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, developed by the California Department of Transportation (Caltrans) to assess transit operators, was used to guide in the development and conduct of the audit.

Overview of the Transit System

The City of Ceres administers fixed-route and demand-response transit services within the city limits and its environs. Transit service was first established in July 1977 with the implementation of a general public Dial-A-Ride service. As the city's population and transit demand grew, a fixed-route service was introduced in July 2003 in concert with the Dial-A-Ride service. The fixed-route service is branded under the name of CAT, which stands for Ceres Area Transit. The demand-response service is branded under the name of CDAR, which stands for Ceres Dial-A-Ride. Both CAT and CDAR are operated under contract by Storer Transit Systems and managed by an administrative analyst with the City Engineering Services Division.

Located directly south of the Tuolumne River and Modesto, Ceres is the third largest city in the county. Based on the 2010 US Census, Ceres’s population was 45,417, which grew 31.2 percent since the 2000 US Census. The senior citizen population, comprising residents aged 65 and over, is 7.7 percent. The 2016 population for Ceres is estimated to be 47,166 as reported by the California Department of Finance. The city covers an 8-square-mile area.

Ceres was established in 1867 by the Service, Warner, and Whitmore families and the first home was built in 1870. Ceres incorporated on February 25, 1918, as a general law city. The city has a council-manager form of government with five council members. The City derives its name from the Roman goddess of agriculture.

The major highway serving Ceres is State Route (SR) 99. SR 99 is the main north–south highway connecting Ceres with other major cities and towns in the San Joaquin Valley, including Modesto and Turlock. Major arterial streets traversing Ceres include Crows Landing Road, Hatch Road, Herndon Road, Mitchell Road, Service Road, and Whitmore Avenue.

System Characteristics

The CAT fixed-route service is composed of four routes operating within Ceres. All routes originate and terminate at CAT’s transfer hub, located at the intersection of Hatch Road and Herndon Road adjacent to the Kmart shopping center. This transfer point allows for interline connections with Modesto Area Express (MAX) Routes 29 and 42 and Stanislaus Regional Transit (StaRT) Routes 15 and 40. A second transfer hub is located on Magnolia Avenue in front of the Ceres Community Center.

The routes are structured in a unidirectional orientation on most corridors, providing coverage throughout most areas of the city including school campuses and major shopping centers. Service days and hours for CAT vary according to route, but service operates daily. CAT and CDAR do not operate on the following holidays: New Year’s Day, Presidents’ Day, Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving Day, and Christmas Day.

CAT’s fixed-route services during the audit period are described in detail in Table I-1.

**Table I-1
CAT Fixed-Route Services**

Route	Description	Frequency/Operation	Key Time Points
A	Hatch-Mitchell-Whitmore- Magnolia	Every 60 minutes (Monday through Friday from 6:00 a.m. to 6:50 p.m.)	<ul style="list-style-type: none"> ▪ Herndon Rd. & Hatch Rd. ▪ Richland & Evans ▪ Food 4 Less ▪ Mitchell Rd. & Whitmore ▪ Tenth St. & Don Pedro ▪ Ceres Community Center ▪ Walmart ▪ Central Ave. & Glasgow Dr.

Route	Description	Frequency/Operation	Key Time Points
B	Herndon-Service-Hackett-Crows Landing Road	Every 60 minutes (Monday through Friday from 8:15 a.m. to 6:10 p.m. Not in service between 2:15 p.m. to 3:10 p.m.)	<ul style="list-style-type: none"> ▪ Herndon Rd. & Hatch Rd. ▪ Magnolia & Third St. ▪ Blaker Kinser Jr. High School ▪ Service Rd. & Farm Supply Rd. ▪ Community Service Agency ▪ Malick Dr. & Hackett Rd. ▪ Central Valley High ▪ Richland Ave. @ Stanislaus Recovery Resources
C	Hatch-Mitchell-Whitmore-Magnolia-Hackett-Service Road	Every 60 minutes (Saturday from 10:00 a.m. to 5:50 p.m. & Sunday from 10:00 a.m. to 3:50 p.m.)	<ul style="list-style-type: none"> ▪ Herndon Rd. & Hatch Rd. ▪ Caswell & Central Ave. ▪ Food 4 Less ▪ Mitchell Rd. & Roeding ▪ Service Rd. & Central Ave. ▪ Blaker Rd. & Kinser Rd. ▪ Ceres Community Center ▪ Walmart
D	Magnolia-Fowler-Eastgate-Blaker-Service-Herndon	Two trips per day (Monday through Friday from 7:03 a.m. to 8:00 a.m. & from 2:15 p.m. to 3:15 p.m.)	<ul style="list-style-type: none"> ▪ Herndon Rd. & Hatch Rd. ▪ Ceres Community Center ▪ Cesar Chavez Jr. High ▪ Magnolia & Third St. ▪ Blaker Kinser Jr. High School ▪ Central Valley High ▪ Richland Ave. @ Stanislaus Recovery Resources

Source: City of Ceres

Route C operates only on weekends and serves many of the destinations of Routes A and B. Route D, implemented in August 2012, operates primarily as a tripper service for local middle and senior high school students on weekdays.

Dial-A-Ride

CDAR provides general public, curb-to-curb demand-response service within the CAT service area as well as to unincorporated areas adjacent to Ceres. CDAR operates Monday through Friday from 6:00 a.m. to 8:00 p.m., Saturday from 10:00 a.m. to 6:00 p.m., and Sunday from 8:00 a.m. to 4:00 p.m. Reservations are required at least 90 minutes in advance. Regularly scheduled trips can be reserved up to 14 days in advance.

Fares

Ceres’s transit services accept a variety of fare media such as cash, passes, and transfers. Transfers and 10-Ride Cruising Passes are only available for purchase from the driver. Passes are available for purchase from the driver, at Ceres City Hall or through the mail. Drivers do not make change on the bus. The fare structure for CAT during the audit period is shown in Table I-2.

**Table I-2
Ceres Transit Services Fare Schedule**

Fare Categories	CAT Fares	CDAR Fares
General Public	\$2.00	\$2.15
One Child Under Age 5	Free	Free
Seniors (65 Years of Age or Older), Persons with Disabilities/Medicare Card Holders	\$1.50	\$1.50
Students (K - 12 th Grade)	\$1.80	n/a
10-Ride Cruising Pass – General Public	\$20.00	\$21.50
10-Ride Cruising Pass – Students	\$18.00	n/a
10-Ride Cruising Pass – Seniors/Disabled/Medicare Card Holders	\$15.00	\$15.00
10-Ride Fast Fare (Good for \$10.00 worth of rides)	\$10.00	\$10.00

Source: City of Ceres

Transfers between CAT routes are free at transfer points. In addition, transfers to MAX, Modesto Area Dial-A-Ride (MADAR), and StaRT cost 25 cents. Riders summoned to jury duty can ride free on Ceres transit, and transfer to Modesto or Turlock to a courthouse. One personal care attendant can ride free with a person who requires assistance and has a Ceres Transit discount card.

The fare structure for CDAR is similar to that of CAT. Passes and transfers are also available on CDAR. CDAR riders can also transfer to MAX, MADAR and StaRT for 25 cents. Arrangements must be made in advance for Dial-A-Ride transfers.

Fleet

There were 11 vehicles in the fleet during the audit period including three compressed natural gas (CNG) vehicles. Six of the vehicles are owned by Storer Transit Systems. One CNG vehicle is leased from MDAR and subleased to Storer. All vehicles are wheelchair-accessible with tie-downs in compliance with the Americans with Disabilities Act of 1990 (ADA). Table I-3 shows the vehicle fleet information.

Table I-3
Ceres Transit Fleet

Year	Make/Model	Quantity	Seating Capacity	Engine Type	Service Mode
2002	Ford El Dorado E-350	1	16 (2 W/C)	CNG	CDAR
2004	Ford El Dorado E-450	1	16 (2 W/C)	CNG	CAT
2008	Ford El Dorado E-450	5	16 (2 W/C)	Gas	CAT & CDAR
2008	Ford El Dorado E-450	1	17 (2 W/C)	Gas	CAT
2009	Chevy C5500	1	26 (2 W/C)	CNG	CAT
2014	Chevy	2	26 (2 W/C)	Diesel	CAT
Total		11			

Source: City of Ceres

Section II

Operator Compliance Requirements

This section of the audit report contains the analysis of Ceres’s ability to comply with state requirements for continued receipt of TDA funds. The evaluation uses the Caltrans guidebook, *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Agencies, September 2008* (third edition), which contains a checklist of 11 measures taken from relevant sections of the PUC and the California Code of Regulations. Each of these requirements is discussed in the table below, including a description of the system’s efforts to comply with the requirements. In addition, the findings from the compliance review are described in the text following the table.

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
The transit operator submitted annual reports to the RTPA based upon the Uniform System of Accounts and Records established by the State Controller. Report is due 90 days after end of fiscal year (Sept. 28/29), or 110 days (Oct. 19/20) if filed electronically (Internet).	Public Utilities Code, Section 99243	Completion/submittal dates: FY 2013: October 18, 2013 FY 2014: October 20, 2014 FY 2015: October 15, 2015 Conclusion: Complied.
The operator has submitted annual fiscal and compliance audits to the RTPA and to the State Controller within 180 days following the end of the fiscal year (Dec. 27), or has received the appropriate 90-day extension by the RTPA allowed by law.	Public Utilities Code, Section 99245	Completion/submittal dates: FY 2013: November 11, 2013 FY 2014: October 30, 2014 FY 2015: November 17, 2015 Conclusion: Complied.
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	Public Utilities Code, Section 99251 B	The City of Ceres, through its contract operator, participates in the CHP Transit Operator Compliance Program in which the CHP has conducted inspections

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
following a CHP inspection of the operator's terminal.		<p>within the 13 months prior to each TDA claim.</p> <p>Inspections were conducted at the contract operator's facility at 1216 Docker Drive in Modesto:</p> <p>Inspection dates applicable to the audit period were October 10, 2013; October 29, 2014; and July 1, 2015.</p> <p>Inspections were found to be satisfactory.</p> <p>Conclusion: Complied.</p>
The operator's claim for TDA funds is submitted in compliance with rules and regulations adopted by the RTPA for such claims.	Public Utilities Code, Section 99261	<p>As a condition of approval, the City of Ceres's annual claims for Local Transportation Funds (LTF) and State Transit Assistance are submitted in compliance with the rules and regulations adopted by StanCOG.</p> <p>Conclusion: Complied.</p>
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.	Public Utilities Code, Section 99270.1	<p>This requirement is not applicable, as Ceres Area Transit is within the Modesto Urbanized Area.</p> <p>Conclusion: Not Applicable.</p>
The operator's operating budget has not increased by more than 15% over the preceding year, nor is there a substantial increase or	Public Utilities Code, Section 99266	Percentage increase in Ceres's transit operating budget:

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
decrease in the scope of operations or capital budget provisions for major new fixed facilities unless the operator has reasonably supported and substantiated the change(s).		FY 2013: +6.8% FY 2014: -4.5% FY 2015: +6.0% Source: City of Ceres TDA Claims/Budget for FYs 2012-2015 Conclusion: Complied.
The operator's definitions of performance measures are consistent with Public Utilities Code Section 99247, including (a) operating cost, (b) operating cost per passenger, (c) operating cost per vehicle service hour, (d) passengers per vehicle service hour, (e) passengers per vehicle service mile, (f) total passengers, (g) transit vehicle, (h) vehicle service hours, (i) vehicle service miles, and (j) vehicle service hours per employee.	Public Utilities Code, Section 99247	The City of Ceres's definition of performance is consistent with PUC Section 99247. A review of trip sheets updated during the audit period indicates that correct performance data are being collected. Conclusion: Complied.
If the operator serves an urbanized area, it has maintained a ratio of fare revenues to operating costs 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 fare revenues to operating costs of at least equal to three-twentieths (15 percent), if so determined by the RTPA.	Public Utilities Code, Sections 99268.2, 99268.3, 99268.12, 99270.1	Operating ratios for Ceres Area Transit fixed route were as follows: FY 2013: 11.42% FY 2014: 14.71% FY 2015: 13.47% Upon becoming an Article 4 claimant in an urbanized area prior to this audit period, the minimum farebox recovery ratio for fixed route was increased by StanCOG to 15 percent for CAT, up from 10 percent.

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
		<p>Source: FY 2013-2015 Internal Ridership, Fares, Hours, Miles Reports</p> <p>Effective FY 2017, Ceres will be subject to a 20 percent farebox recovery ratio standard.</p> <p>Conclusion: Not in Compliance.</p>
<p>If the operator serves a rural area, or provides exclusive services to elderly and disabled persons, it has maintained a ratio of fare revenues to operating costs at least equal to one-tenth (10 percent).</p>	<p>Public Utilities Code, Sections 99268.2, 99268.4, 99268.5</p>	<p>StanCOG set the farebox recovery ratio for Ceres general public Dial-A-Ride at 10 percent. The fare ratios were as follows:</p> <p>FY 2013: 12.57% FY 2014: 12.10% FY 2015: 11.97%</p> <p>Source: FY 2013-2015 Internal Ridership, Fares, Hours, Miles Reports</p> <p>Effective FY 2017, Ceres will be subject to a 20 percent farebox recovery ratio standard.</p> <p>Conclusion: Complied.</p>
<p>The current cost of the 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 within 40 years.</p>	<p>Public Utilities Code, Section 99271</p>	<p>The City contracts with a private provider for operations, while the cost of City staff's retirement is fully funded under the Stanislaus County Employees Retirement Association (StanCERA).</p> <p>Conclusion: Complied.</p>

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
If the operator receives state transit assistance funds, the operator makes full use of funds available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted.	California Code of Regulations, Section 6754(a)(3)	The City of Ceres receives its operator formula revenue share of State Transit Assistance Funds under the StanCOG Transit Cost Sharing Agreement. Ceres does not receive federal urban transit grants; rather, per the cost sharing agreement, the City of Modesto claims all federal urban transit grants for the Modesto-Ceres urbanized area. Conclusion: Not Applicable

Findings and Observations from Operator Compliance Requirements Matrix

1. Of the compliance requirements pertaining to Ceres, the operator fully complied with eight out of the nine applicable requirements. The operator was not in compliance with regard to its fixed-route farebox recovery attainment. The fixed-route farebox ratio requirement established by StanCOG is 15 percent. Two additional compliance requirements are not applicable to Ceres (i.e., intermediate farebox recovery ratio under PUC 99270.1, and use of federal funds).
2. Ceres’s transit modes are subject to separate farebox recovery standards set by StanCOG: 15 percent for fixed-route and 10 percent for Dial-A-Ride. During the audit period, the farebox recovery ratio for fixed route was 11.42 percent in FY 2013; 14.71 percent in FY 2014; and 13.47 percent in FY 2015. The farebox ratios for Ceres Dial-A-Ride were 12.57 percent in FY 2013; 12.10 percent in FY 2014; and 11.97 percent in FY 2015. Effective FY 2017, Ceres will be subject to a 20 percent fixed route farebox recovery ratio as a result of the County population exceeding 500,000 in the last census.
3. Through its contract operator, the City participates in the CHP Transit Operator Compliance Program and received vehicle inspections within the 13 months prior to each TDA claim. Satisfactory ratings were made for all inspections conducted during the audit period.
4. The operating budget exhibited modest fluctuations during the audit period. There were increases in FY 2013 and FY 2015 of 6.8 and 6.0 percent, respectively. There was a budget decrease of 4.5 percent in FY 2014.

Section III

Prior Triennial Performance Recommendations

The City of Ceres's efforts to implement the recommendations made in the prior triennial audit are examined in this section of the report. For this purpose, each prior recommendation for the agency is described, followed by a discussion of Ceres'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

Enhance the system of incentive rewards and penalties to ensure the performance standards are met in the contract.

Actions taken by the City of Ceres

Background: The operator service contract includes a performance-based incentive program to be used as an outline for measuring the contract operator's performance and building a cooperative relationship between the City and Storer Transit Systems. Although most performance standards were met or exceeded by the contract operator, a series of financial incentives and penalties through the implementation of a performance-based incentive system would be useful. Such a measure would encourage continued service quality and spur greater efficiencies that could support the minimum farebox standard and control costs. It was suggested that the City enhance and enforce these provisions as well as monitor actual performance against the criteria with the next contract procurement in the fall of 2013.

Action: A Request for Proposals (RFP) was jointly released by the Cities of Ceres and Modesto and the County of Stanislaus for the operation of their respective transit systems in September 2013. The operating and maintenance contract for CAT was awarded in July 2014 to Storer Transit Systems. The City states that Storer provides sufficient staffing and support as well as excellent vehicle maintenance. Ceres has not encountered any issues to warrant such enhancement of the measures. The only issues that have arisen are delays caused by road construction in the city, which are beyond the contract operator's control.

Conclusion

This recommendation is no longer applicable.

Prior Recommendation 2

Update the Short Range Transit Plan (SRTP).

Actions taken by the City of Ceres

Background: Transit operators that receive state and federal funding through the Transportation Improvement Plans (TIP) prepare, adopt, and submit an SRTP, which provides technical guidance on transit sustainability for the next five years. The last SRTP was prepared and adopted in April 2008 with a two-year planning horizon. Generally speaking, SRTPs have a five-year planning horizon and provide a list of suggested performance standards and benchmarks to help evaluate current services. Since the adoption of the last SRTP, the City has proposed and adopted fare increases and service modifications to address the decline in farebox recovery. Moreover, StanCOG has required that the City submit its LTF claim under Article 4, which involves meeting a higher farebox recovery standard for CAT. It was emphasized that an update to the SRTP with a five-year planning horizon would guide the City to better structure its routes and services as well as provide performance benchmarks that would not only measure farebox but other productivity indicators such as passengers per hour, operating costs per hour, and operating costs per passenger.

Action: The City did not update its SRTP during the audit period. Nevertheless, the City has budgeted funds toward a future SRTP update. The update is on hold pending the findings from an efficiency study commissioned by StanCOG. The City is also considering implementation of a fare increase and route restructuring in order to attain greater cost efficiencies. In the meantime, the City is looking at sample RFPs used to commission other SRTPs and is anticipating the update to commence in FY 2017.

Conclusion

This recommendation has not been implemented and is carried forward for full implementation.

Prior Recommendation 3

Evaluate and consider modifications to the existing fare structure that would incentivize greater usage of the CAT fixed route.

Actions taken by the City of Ceres

Background: The City's demand-response service, CDAR, has been made accessible to the general public, and has a slightly higher cost structure than the CAT fixed route. In efforts to improve efficiencies, the City has taken measures to limit the number of children that ride free on its transit services. The CAT route structure is aligned to serve most of the school campuses in Ceres; however, the current fare structure does not include a separate category for students who are subject to the general public fare. Student fares are generally priced between the general public and the senior/disabled fare categories. For instance, on the MAX system, the student fare is priced \$0.25 below the regular fare. It was suggested that Ceres adopt a student fare for the fixed-route and consider a higher general public fare for CDAR as a means to create greater efficiencies

in the transit system. Staff had intended to go to the Ceres City Council and request a small discount for student fares, on CAT only, in the near future.

Action: In response to this recommendation, the City implemented a \$1.80 student fare on the CAT fixed route, priced \$0.20 below the regular fare to encourage higher youth ridership. Staff has proposed raising fares for seniors and disabled persons on CDAR in order to incentivize usage of CAT; however, the City Council has been resistant to raising fares on Dial-A-Ride. Given the issue of farebox nonattainment, the City revisited potential fare restructuring on both service modes during the summer of 2016.

Conclusion

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

Section IV

TDA Performance Indicators

This section reviews Ceres's performance in providing transit service to the community in an efficient and effective manner. The TDA requires that at least five specific performance indicators be reported, which are contained in the following tables. Farebox recovery ratio is not one of the five specific indicators but is a requirement for continued TDA funding. Therefore, farebox calculation is also included. Two additional performance indicators, operating cost per mile and average fare per passenger, are included as well. Findings from the analysis are contained in the section following the tables.

Tables IV-1 through IV-3 provide the performance indicators for Ceres system-wide, fixed-route, and Dial-A-Ride. Charts are also provided to depict the trends in the indicators. It is noted that the system-wide operating costs and fare revenues are based on audited figures, while fixed-route and Dial-A-Ride costs and fare revenues are unaudited. The annual fiscal audits do not provide a calculation of farebox recovery nor a modal breakdown of operating revenues and costs.

**Table IV-1
Ceres TDA Performance Indicators
System-wide**

Performance Data and Indicators	Audit Period				% Change FY 2012- 2015
	FY 2012	FY 2013	FY 2014	FY 2015	
Operating Cost*	\$1,025,294	\$980,414	\$976,684	\$971,046	-5.3%
Total Passengers	75,669	73,213	65,462	63,500	-16.1%
Vehicle Service Hours	13,995	13,540	13,353	13,112	-6.3%
Vehicle Service Miles	184,153	178,494	174,976	168,397	-8.6%
Employee FTEs	13	15	15	15	15.4%
Passenger Fare Revenue	\$104,179	\$113,585	\$122,386	\$111,695	7.2%
Operating Cost per Passenger	\$13.55	\$13.39	\$14.92	\$15.29	12.9%
Operating Cost per Vehicle Service Hour	\$73.26	\$72.41	\$73.14	\$74.06	1.1%
Operating Cost per Vehicle Service Mile	\$5.57	\$5.49	\$5.58	\$5.77	3.6%
Passengers per Vehicle Service Hour	5.4	5.4	4.9	4.8	-10.4%
Passengers per Vehicle Service Mile	0.41	0.41	0.37	0.38	-8.2%
Vehicle Service Hours per Employee	1,076.54	902.67	890.20	874.13	-18.8%
Average Fare per Passenger	\$1.38	\$1.55	\$1.87	\$1.76	27.8%
Fare Recovery Ratio	10.16%	11.59%	12.53%	11.50%	13.2%

Source: Annual Fiscal & Compliance Audits; State Controller Reports; FY 2013-2015 Internal Ridership, Fares, Hours, Miles Reports.

*System-wide operating costs exclude depreciation

**Table IV-2
Ceres TDA Performance Indicators
Fixed Route**

Performance Data and Indicators	Audit Period				% Change FY 2012-2015
	FY 2012	FY 2013	FY 2014	FY 2015	
Operating Cost	\$460,526	\$452,091	\$464,528	\$460,895	0.1%
Total Passengers	42,487	42,822	37,806	39,222	-7.7%
Vehicle Service Hours	6,874	6,742	6,811	6,801	-1.1%
Vehicle Service Miles	96,433	94,343	95,077	95,493	-1.0%
Employee FTEs	5	5	5	5	0.0%
Passenger Fares	\$52,219	\$51,650	\$68,331	\$62,097	18.9%
Operating Cost per Passenger	\$10.84	\$10.56	\$12.29	\$11.75	8.4%
Operating Cost per Vehicle Service Hour	\$67.00	\$67.06	\$68.20	\$67.77	1.2%
Operating Cost per Vehicle Service Mile	\$4.78	\$4.79	\$4.89	\$4.83	1.1%
Passengers per Vehicle Service Hour	6.2	6.4	5.6	5.8	-6.7%
Passengers per Vehicle Service Mile	0.44	0.45	0.40	0.41	-6.8%
Vehicle Service Hours per Employee	1,374.80	1,348.40	1,362.20	1,360.20	-1.1%
Average Fare per Passenger	\$1.23	\$1.21	\$1.81	\$1.58	28.8%
Fare Recovery Ratio	11.34%	11.42%	14.71%	13.47%	18.8%

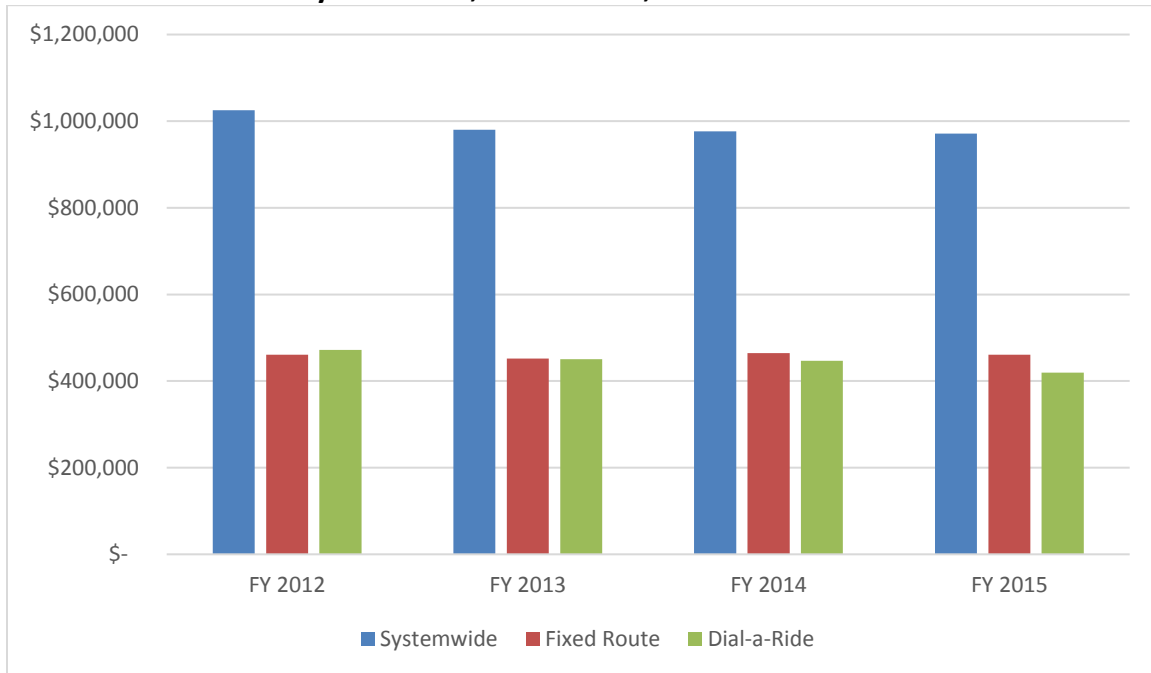
Source: State Controller Reports; FY 2013-2015 Internal Ridership, Fares, Hours, Miles Reports

**Table IV-3
Ceres TDA Performance Indicators
Dial-A-Ride**

Performance Data and Indicators	Audit Period				% Change FY 2012-2015
	FY 2012	FY 2013	FY 2014	FY 2015	
Operating Cost	\$472,033	\$450,462	\$446,739	\$419,529	-11.1%
Total Passengers	33,182	30,391	27,656	24,278	-26.8%
Vehicle Service Hours	7,121	6,798	6,542	6,311	-11.4%
Vehicle Service Miles	87,720	84,151	79,899	72,904	-16.9%
Employee FTEs	8	10	10	10	25.0%
Passenger Fares	\$50,421	\$56,603	\$54,066	\$50,199	-0.4%
Operating Cost per Passenger	\$14.23	\$14.82	\$16.15	\$17.28	21.5%
Operating Cost per Vehicle Service Hour	\$66.29	\$66.26	\$68.29	\$66.48	0.3%
Operating Cost per Vehicle Service Mile	\$5.38	\$5.35	\$5.59	\$5.75	6.9%
Passengers per Vehicle Service Hour	4.7	4.5	4.2	3.8	-17.4%
Passengers per Vehicle Service Mile	0.38	0.36	0.35	0.33	-12.0%
Vehicle Service Hours per Employee	890.13	679.80	654.20	631.10	-29.1%
Average Fare per Passenger	\$1.52	\$1.86	\$1.95	\$2.07	36.1%
Fare Recovery Ratio	10.68%	12.57%	12.10%	11.97%	12.0%

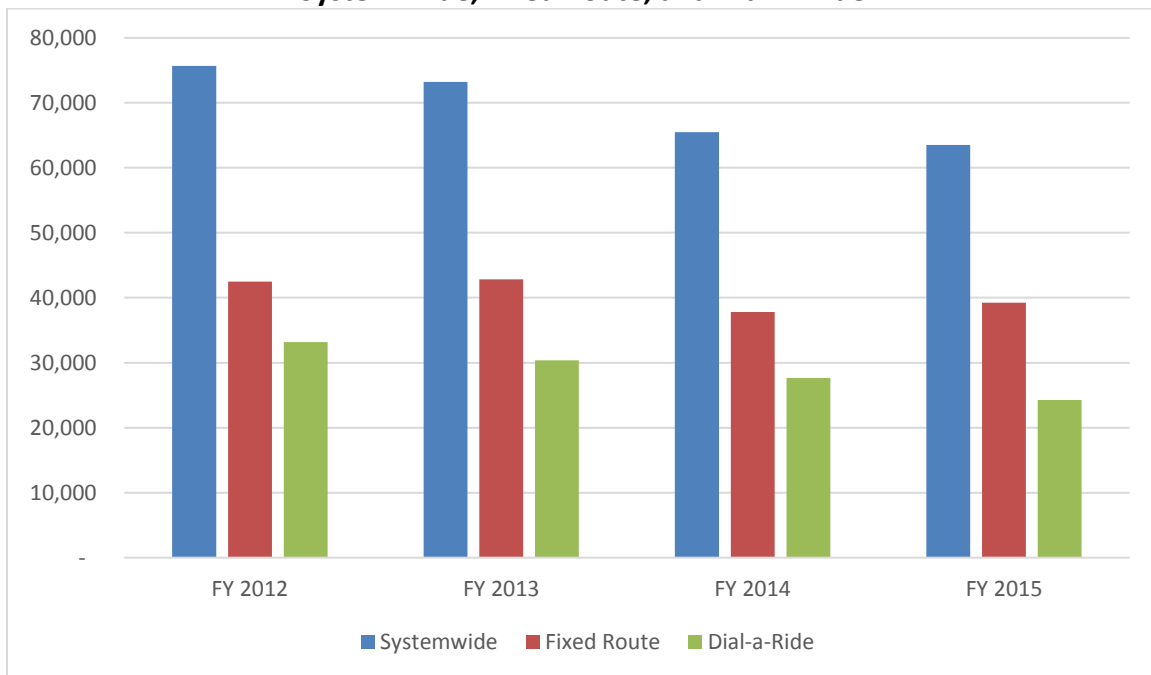
Source: State Controller Reports; FY 2013-2015 Internal Ridership, Fares, Hours, Miles Reports

**Graph IV-1
Operating Costs
System-wide, Fixed Route, and Dial-A-Ride**

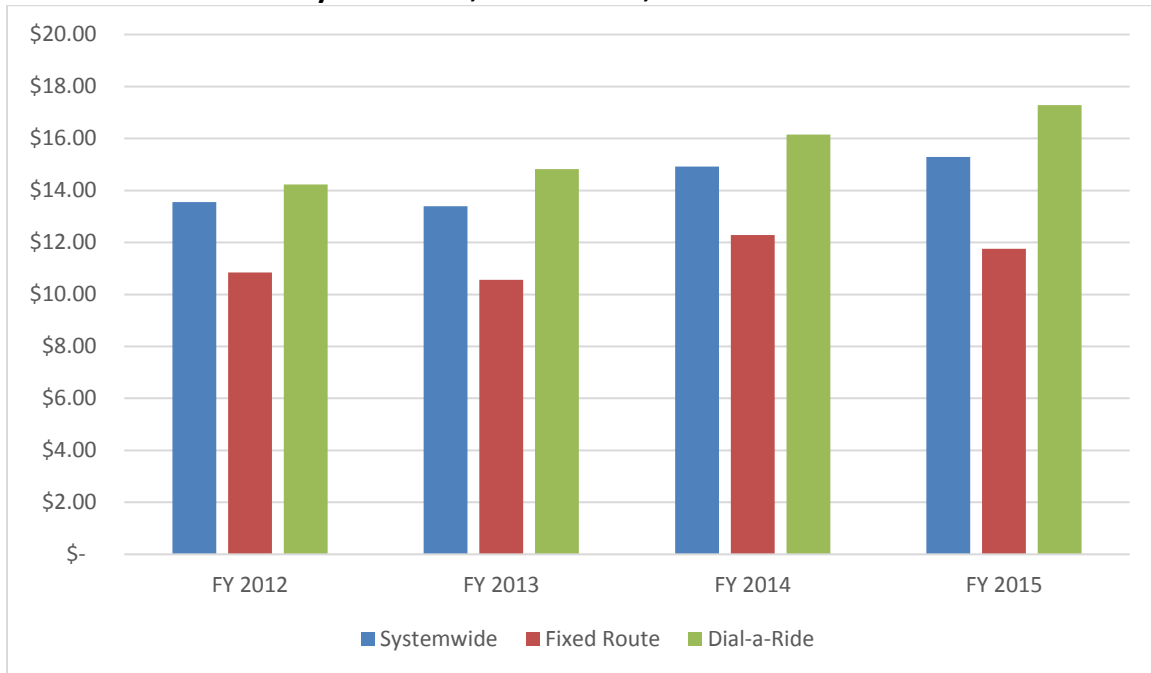


Note: System-wide costs are audited, modal costs are unaudited.

**Graph IV-2
Ridership
System-wide, Fixed Route, and Dial-A-Ride**

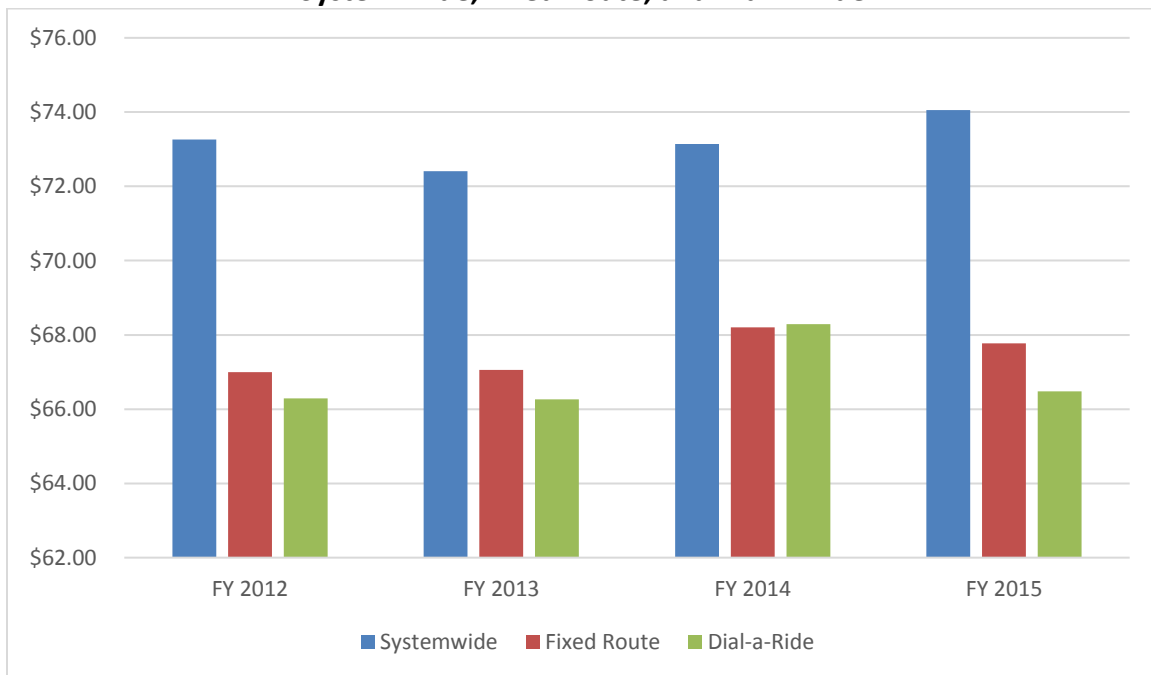


Graph IV-3
Operating Cost Per Passenger
System-wide, Fixed Route, and Dial-A-Ride



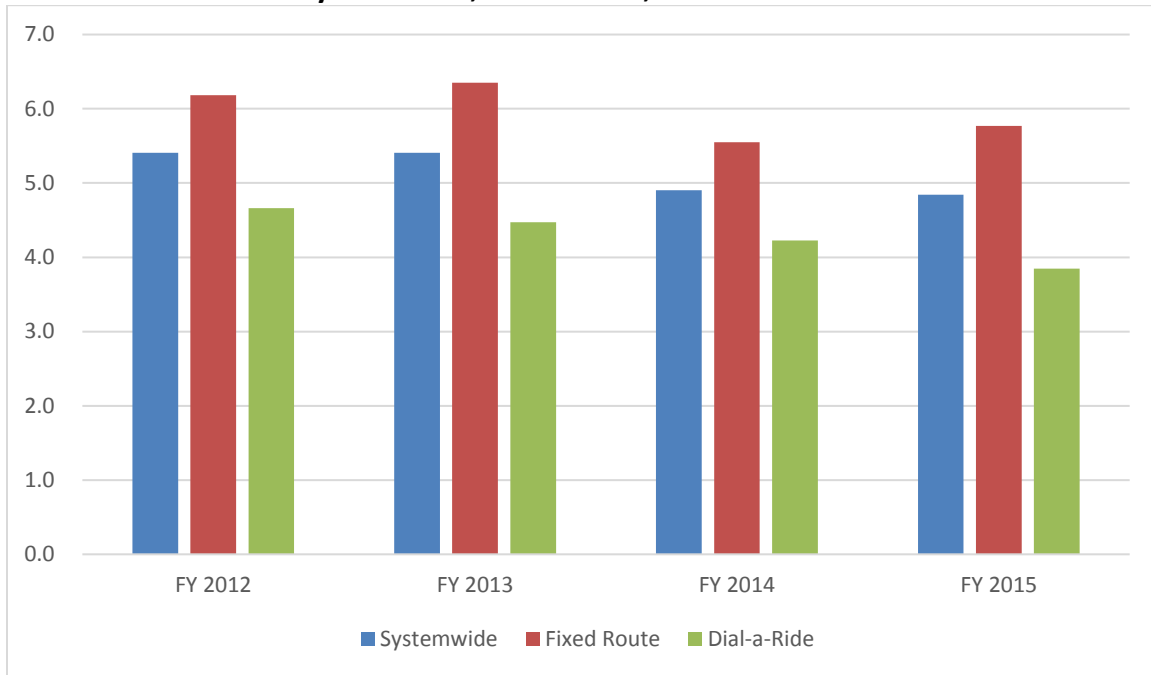
Note: System-wide costs are audited, modal costs are unaudited.

Graph IV-4
Operating Cost Per Vehicle Service Hour
System-wide, Fixed Route, and Dial-A-Ride

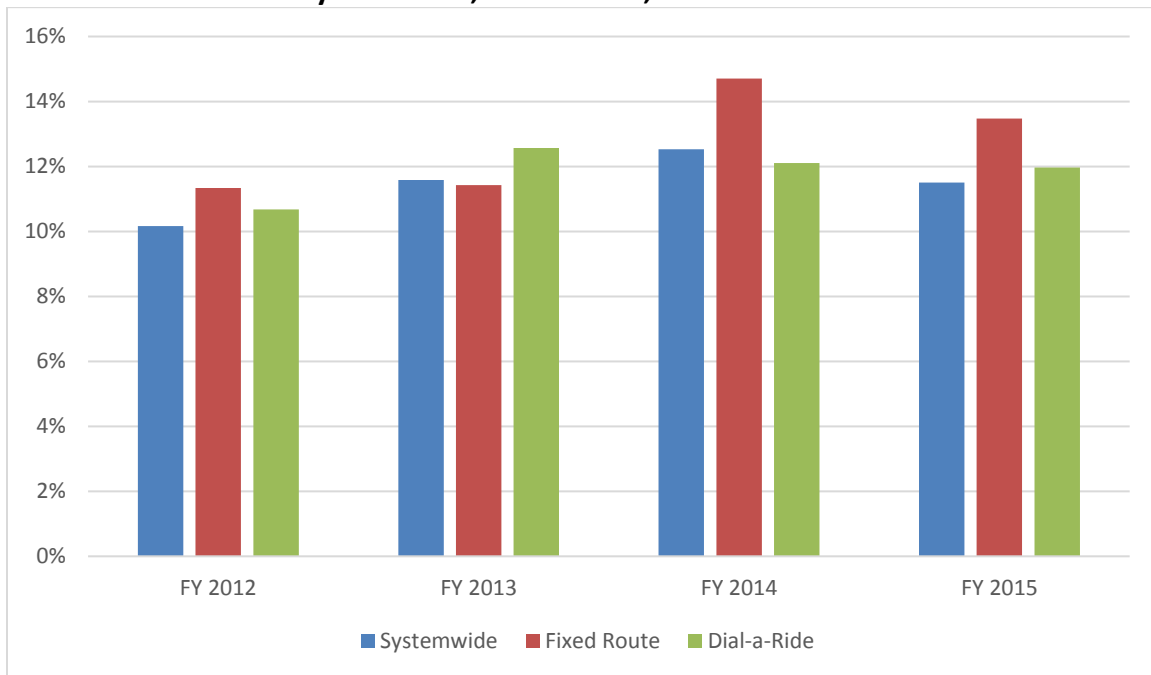


Note: System-wide costs are audited, modal costs are unaudited.

Graph IV-5
Passengers Per Vehicle Service Hour
System-wide, Fixed Route, and Dial-A-Ride



Graph IV-6
Fare Recovery Ratio
System-wide, Fixed Route, and Dial-A-Ride



Note: System-wide revenues and costs are audited, modal revenues and costs are unaudited.

Findings from Verification of TDA Performance Indicators

1. Operating costs system-wide decreased 5.3 percent based on audited data from the FY 2012 base year through FY 2015. Fixed-route operating costs remained relatively unchanged during the audit period. In contrast, Dial-A-Ride operating costs decreased 11.1 percent, slightly more than double the system-wide decrease. The decline in operating costs reflects a decrease in service hours and decreased ridership.
2. Ridership decreased 16.1 percent system-wide during the audit period. Fixed-route ridership decreased 7.7 percent and Dial-A-Ride ridership decreased 26.8 percent. System-wide, ridership experienced a more significant decrease of 10.6 percent between FYs 2013 and 2014 when passenger trips declined from 73,213 to 65,462. Factors affecting declining ridership include sluggish economic conditions that prompted less travel, and declining gas prices.
3. Vehicle revenue hours and miles decreased system-wide during the audit period as well as for both service modes. Fixed-route revenue hours and miles decreased 1.1 and 1.0 percent, respectively, while CDAR revenue hours and miles decreased 11.4 and 16.9 percent, respectively. System-wide, vehicle service hours decreased 6.3 percent and vehicle service miles decreased 8.6 percent.
4. Operating cost per passenger increased 12.9 percent system-wide. Cost per passenger increased 8.4 percent on fixed route and 21.5 percent on Dial-A-Ride. The trends for this indicator reflect a much greater rate of decline in ridership than in the decline in operating costs.
5. Operating cost per hour increased 1.1 percent system-wide. The performance indicator exhibited a comparable increase on the fixed route of 1.2 percent whereas Dial-A-Ride had a negligible increase of 0.3 percent over the audit period. The trends in this indicator demonstrate that service hours have declined at a slightly greater rate than operating costs.
6. Passengers per vehicle service hour system-wide exhibited a decrease of 10.4 percent. On the fixed route, passengers per hour decreased 6.7 percent. In contrast, passengers per hour on Dial-A-Ride decreased 17.4 percent. System-wide, the number of passengers per service hour fell from 5.4 passengers to 4.8 passengers during the audit period. The decline in ridership exceeded the decline in revenue hours on both service modes.
7. The fare recovery ratio over the past three years increased system-wide as well as for both service modes from the base year of FY 2012. Farebox for fixed route increased 18.8 percent while Dial-A-Ride increased by 12 percent. The overall increase system-wide was 13.2 percent although there was a year-over-year drop between FYs 2014 and 2015. Passenger fare revenues increased 7.2 percent system-wide. For fixed-route, the increase was 18.9 percent. Fare revenues decreased slightly by 0.4 percent on Dial-A-Ride. In spite of ridership declines, both audited and unaudited fare revenues show stable or increased trends.

Section V

Review of Operator Functions

This section provides an in-depth review of various functions in the City of Ceres Transit System. The review highlights accomplishments, issues, and/or challenges that were determined during the audit period. The following functions were reviewed at the City and the contract operator's facility in Modesto:

- Operations
- Maintenance
- Planning
- Marketing
- General Administration and Management

Within some departments are subfunctions that require review as well, such as Grants Administration that falls under General Administration.

Operations

CAT Routes A and B run during the week and Route C runs on the weekend as a hybrid of the two weekday routes. Route B serves many social service agencies, such as Stanislaus County Community Services Agency. Routes A and B also provide tripper service in the morning and afternoon hours to meet the needs of students. In response to a prior audit recommendation, Ceres introduced a discounted fare on the CAT fixed route for primary and secondary school students.

Ceres also implemented several equipment upgrades during the period. Two CNG vehicles were procured in November 2014 and placed into revenue service in February 2015. In addition, Ceres installed electronic GenFare XPX fareboxes on nine vehicles in February 2015. The electronic fareboxes allow for the issuance of fare card media that is compatible with the StaRT and MAX transit systems. The fareboxes were funded through the Proposition 1B Public Transportation Modernization, Improvement & Service Enhancement Account program grant.

The City's operations and maintenance contract with Storer Transit Systems of Modesto has been in effect since 2008. During the audit period, the contract was scheduled to expire in June 2013 but was extended through June 30, 2014. An RFP was jointly released by the Cities of Ceres and Modesto and the County of Stanislaus for the operation of their respective transit systems in September 2013. The Ceres Area Transit operating and maintenance contract was awarded in July 2014 to Storer Transit Systems, set at \$67.17 per vehicle service hour. The contract has a liquidated

damages clause in case of performance lapses. Storer was helpful in the coordination and installation of the electronic fareboxes, which were delivered directly to its operations facility.

Storer provides an extensive monthly management report to the City detailing CAT and CDAR operations. The monthly contractor report, delivered on the 10th of the month, contains the billing invoice along with an hourly and daily ridership summary, an employee roster, hours, mileage, preventative maintenance summary, fare revenue breakdown, and customer complaints. The ridership analysis section of the report provides a breakdown of fares sold by category, service interruptions, accidents, complaints, and performance indicators. Table V-1 provides an annual summary of preventable accidents and complaints on the CAT fixed-route system:

Table V-1
CAT Preventable Accidents and Complaints
(Including FY 2012 base year)

Year	Preventable Accidents	Complaints
2012	0	2
2013	1	3
2014	1	5
2015	0	5

Source: City of Ceres/ Storer Transit Systems

There were two preventable accidents reported on the CAT system during the audit period. The number of complaints increased slightly, increasing from two in FY 2012 to five in FY 2015. Complaints are received directly by the contract operator and noted on the monthly management report transmitted to the City. However, protests and unresolved matters are handled by the City. The City previously kept a supply of comment cards at the front counter of the Engineering Department, but staff was uncertain whether comment cards were still available on the vehicles.

Farebox counting and reconciliation procedures involve both electronic and manual methods of verification. At the end of each run, electronic fareboxes are probed by a laptop with the driver and dispatcher present. Fare revenues are taken to a highly secured and monitored area where they are counted by two Storer staff members. Following the count, farebox revenues are deposited into a Storer account and are subtracted from the monthly invoice submitted to the City. The City examines the monthly reports received from Storer and verifies the actual revenues received with the ridership data. Driver trip sheets are submitted to the City on a weekly basis. Trip data are entered onto a spreadsheet, which is accompanied by deposit slips, dispatch sheets, and driver logs.

Dial-A-Ride Program and Policies

The Dial-A-Ride service area encompasses the Ceres city limits as well as adjacent unincorporated areas. CDAR's ridership is made of a more diverse clientele, such as mothers with young children traveling to Head Start programs or Recovery Resources. About 14 percent of the ridership is subscription-based for these types of riders. The City changed its policy with regard to the number

of children riding free on CDAR, as the percentage of nonpaying passengers was increasing as a proportion of all riders. The revised policy only allows one child age 5 or under to ride free with one paying adult, as opposed to free rides for children ages 7 and under with no limit for the number of children.

Reservations can be scheduled as far as 14 days in advance and same-day reservations can be accepted at least 90 minutes in advance. Cancellations are accepted 30 minutes prior to the scheduled pick-up time, which was lengthened from 15 minutes. The City is considering extending the cancellation notice deadline to 60 minutes to provide more flexibility in scheduling new rides and increasing efficiency. Storer utilizes StrataGen dispatching software (Version 6.0), which is configured to accept same-day reservations and allows for open return reservations for passengers with medical appointments. The software eliminated the need for drivers to have a daily manifest.

The contract operator tracks and monitors no-shows and on-time performance for CDAR, which are summarized in Table V-2:

Table V-2
CDAR No-Shows and On-Time Performance
(Including FY 2012 base year)

Year	No-Shows	On-Time Performance
2012	1212	92.18%
2013	998	98.26%
2014	1,446	98.52%
2015	1,313	97.04%

Source: City of Ceres/ Storer Transit Systems

The number of no-shows fluctuated during the audit period. This may be attributed to the change in the reservation and cancellation policy. For habitual no-shows, Storer will send a 30-day warning letter. On the other hand, on-time performance has shown marked improvement. The contract operator informs the City when buses run behind schedule.

Other performance measures that are tracked by the contract operator are preventable accidents and complaints, which are summarized in Table V-3:

Table V-3
CDAR Preventable Accidents and Complaints
(Including FY 2012 base year)

Year	Preventable Accidents	Complaints
2012	1	12
2013	0	5
2014	0	10
2015	0	7

Source: City of Ceres/ Storer Transit Systems

There has not been a preventable accident reported on CDAR during the audit period. Complaints have fluctuated between 5 and 12 annually. Most of the complaints pertain to late running buses or no-shows by the transit vehicle.

Personnel

The contract operator employs a thorough hiring and training process for its pool of drivers. Storer's staff of 130 employees provide contract service for the three county transit systems (Ceres, Modesto, and the County). Of these employees, 80 to 90 are full-time drivers. The operator also maintains a pool of part-time drivers who work on average between 16 and 20 hours weekly. The utilization of part-time staff helps to limit overtime. All new employees are assigned evening, weekend, and holiday shifts. The number of employees assigned to CAT and CDAR toward the end of the audit period is shown in Table V-4:

Table V-4
Ceres Transit Contract Staffing

Employee Classification	CAT	CDAR
Dispatchers	13	13
Drivers	9	12
Receptionists	18	18

Source: Storer Transit Systems, June 2015

A review of the monthly management report for June 2015 showed overlap between CAT and CDAR with regard to how employees are assigned, meaning one employee works on both Ceres services. There are more contract employees dedicated to CDAR than to CAT due to the nature of operations for each service. Dispatchers and telephone agents are cross trained to work at all three county transit systems, while about 60 percent of all paratransit drivers are cross trained on at least two of the three systems. Dispatchers are also trained as drivers to serve as back-up when needed. Dispatchers are assigned specifically to specific service modes.

Drivers are recruited through the Storer website, *Modesto Bee* newspaper, Indeed.com, Facebook, and bus wraps on charter buses. Qualified candidates are required to have a good work history and a clean H-6 printout from the Department of Motor Vehicles (DMV). A General Public Paratransit Vehicle (GPPV) certificate is required for Dial-A-Ride. A Verification of Transit Training (VTT) certificate issued by the DMV is required for fixed-route operations. As part of the interview and vetting process, candidates are taken on ride-alongs with a driver. The second phase of the interview process involves the vice president, who covers defensive driving techniques.

Once hired, new drivers undergo 86 hours of training, which includes classroom, behind-the-wheel, and ADA/mobility sensitivity instruction. Drivers are also trained behind a computer-simulated drive cam for defensive driving skills. Storer utilizes a staff of state-certified trainers to train and assist candidates with attaining their Class B license. In addition to the basic training curriculum, GPPV-certified drivers attend 20 hours and VTT-certified drivers attend 26 hours in a

class that addresses driving in foggy and adverse weather conditions. On the weekends, there is a five-hour transit workshop offered to employees.

Storer Transit System is a nonunion shop but driver assignments are scheduled based on seniority and on-the-job performance. The driver turnover rate averages 7 percent annually, which is low by industry standards. Storer has a point-based employee incentive program where points can be earned for exemplary attendance, customer service, and safety. The Employee of the Year recipient is awarded \$500 and a trophy. An Employee of the Month recipient is awarded a \$100 bonus and a dedicated parking space. In addition, there is an employee barbecue held in June.

Paid time off (PTO) for contract employees includes vacation, sick leave, bereavement, and jury duty. Employees who work 1,560 hours annually or more are eligible for PTO. During the first year of service, the accrual is 40 hours; for the second year, the accrual is 80 hours; from the start of the third to the end of the fourth year, the accrual is 120 hours; and from the fifth year onward, the accrual rate is 160 hours per year. All full-time employees are eligible for seven paid holidays annually.

Employees are eligible to participate in the company's 401(k) retirement plan after six months of continuous employment. Employees can contribute from 1 to 75 percent of their wages to the plan up to the annual IRS limits. The company's discretionary match is 20 percent. In addition, Storer allocates \$450 per full-time employee per month toward benefits. Storer offers three medical insurance plans through Kaiser Permanente with various co-pay options. The two dental plans are offered through Ameritas Life Insurance and the vision plan is offered through Medical Eye Services, a division of Blue Shield.

Maintenance

Ceres transit vehicles are stored and maintained at the Storer Transit System facility located at 1216 Doker Drive in Modesto. The Doker facility has two service bays and one lift. Vehicles undergo a preventative maintenance inspection (PMI) every 45 days or 3,000 miles, which includes brakes, steering, and suspension. At 5,000 miles, vehicles undergo a full service PMI. Storer utilizes ManagerPlus software to track PMIs, parts inventory, and work orders.

Fueling is conducted at the Stanislaus County Public Works facility located at 1716 Morgan Road in Modesto. The City pays for CNG fuel directly. Road calls are tracked and detailed in the contractor's monthly management report as well as internal data spreadsheet. Road calls and nonmajor vehicle failures are presented for each mode in Table V-5 below.

**Table V-5
Ceres Transit System Road Calls
(Including FY 2012 base year)**

Year	CAT Fixed Route		CDAR		Total
	Major	Nonmajor	Major	Nonmajor	
2012	10	3	12	9	34
2013	6	5	9	4	24
2014	12	5	9	4	30
2015	8	1	9	4	22

Source: City of Ceres

The number of road calls reported has shown a downward trend. There were fewer nonmajor incidents as compared to major road calls. Dial-A-Ride operations incurred the most road calls and nonmajor vehicle failures, which averaged 13 during the audit period. CAT experienced fewer road calls and nonmajor failures on average, ranging from 17 in FY 2014 down to 9 in FY 2015. The contract operator has been recognized by the CHP for its outstanding maintenance safety record during terminal inspections.

The City's Street Division is tasked with emptying trash receptacles located at the bus stop. Bus shelter maintenance is performed under contract through the County.

Planning

Service planning efforts have been primarily focused on sustaining the current service structure. The last SRTP was completed and adopted in April 2008. The SRTP was developed with a two-year horizon covering FYs 2008–09 through 2009–10. The only performance benchmarks contained in the SRTP pertain to meeting farebox recovery. Ceres was planning to have a new SRTP completed during FY 2014.

With the recent service challenges, changes, and potential development opportunities, the prior performance audit recommended an update to the SRTP. The City did not update its SRTP during the audit period but has budgeted funds toward a future SRTP update. The update is on hold pending the findings from an efficiency study commissioned by StanCOG. The City is looking at sample RFPs used to commission other SRTPs and is anticipating the update to commence in FY 2017.

In the interim, the City has recently proposed the implementation of a fare increase and route restructuring in order to attain greater cost efficiencies and farebox recovery. While falling outside of time frame of this audit, the City held two public meetings in summer of 2016 to discuss major changes proposed for the transit system. The City has proposed an increase in fares on CDAR as well as a consolidation of routes to become more cost effective. In addition, fares on CAT will be reduced to incentivize ridership. CAT Routes A and B are proposed to be combined into one shorter route while Routes C and D would be eliminated. Service hours would be reduced to 12 hours during the week, and eliminated on the weekends. Staff has also proposed to limit Dial-A-Ride

service to seniors and persons with disabilities. At its September 12, 2016, meeting, the Ceres City Council approved the changes to the transit system effective December 1, 2016.

Marketing

The City of Ceres uses a variety of methods and collateral to market its transit services within the community and region at large. The most prominent marketing tool is a multi-fold glossy riders guide that contains a system route map, schedules, fares, and general information about both CAT and CDAR. The riders guide is printed in both English and Spanish and is distributed to the local community center, Ceres Unified School District, and social service agencies. The riders guide was updated in July 2014 and contains information about the new fare cards. Bus stops are outfitted with map/schedule holders containing the route map and schedules for CAT as well as for interline services such as MAX and StaRT. Also, each CAT bus stop sign has a label showing the time that the bus stops at the location.

Transit information is also accessed online through the City's website (<http://www.ci.ceres.ca.us/CeresAreaTransit/CAT.html>). The website's main page provides rider alerts and information under the caption "What's New" as well as links to CAT schedules, fares, CDAR information, and a discount application for disabled and senior passengers. There is also a link to the Easy Rider trip planning tool, powered by Google Transit, which has both local and regional applications. Ceres does not utilize social media to market and communicate with its ridership.

Transit services are also marketed through ads in the local weekly newspaper, the *Ceres Courier*. Presentations by City transit staff are conducted at local senior citizen complexes and senior groups. Community-based organizations, such as TCSA and the designated Consolidated Transportation Services Agency MOVE, assist with on-site travel training at local senior residential complexes. Outreach to the Ceres Unified School District involves participation on the district's Conservation Committee, which meets three times a year, and where City transit staff talk with the group about transit and distributes riders guides to the district. The new junior high school is served by Route D and school campuses are shown on the map contained in the riders guide.

General Administration and Management

The City of Ceres was incorporated on February 25, 1918, as a general law city. The City has a council-manager form of government with five council members. The five-member City Council serves as the City's principal policy-making body elected for four-year overlapping terms. The City manager, who is appointed by the City Council, oversees the operations of City departments including the Engineering Division, which is responsible for the provision of public transit services. The Council sets fares, service levels, and service policies for the transit services. The City Council meets on the second and fourth Monday of the month at 6:00 p.m. at the Ceres Community Center located at 2701 4th Street.

The transit system has been administered since 1993 by an administrative analyst in the City's Engineering Division, who budgeted and allocated 57 percent of staff time to transit. The administrative analyst, who retired in November 2015, managed the City's transit services contract with Storer Transit Systems, coordinated the annual unmet transit needs hearing, attended StanCOG Social Service Transportation Council (SSTAC) meetings, and reviewed monthly operations reports. The analyst also reviewed the State Controller's Reports before submittal to StanCOG and the state. In addition, the analyst managed other tasks including transit grants, releases of RFPs and vendor selection, advertising/marketing, budgeting, service planning/route changes, and the TDA claims process.

The administrative analyst was assisted by a senior accountant who prepares external reports such as the State Controller Transit Operators Financial Transactions Report and is engaged in the annual fiscal and compliance audits. The senior accountant devotes approximately 5 percent of staff time to the transit program. The City commissions its own TDA fiscal audit and retains the CPA firm. It is noted that the TDA fiscal audit prepared for the City does not show a calculated farebox ratio that would typically be included in the summary notes toward the back of the fiscal audit report.

The administrative clerk II, who has been with the City for more than 10 years, was assigned as the interim transit administrator upon the retirement of the administrative analyst. The administrative clerk worked in the Public Works Department and has previous experience with transit. The former City of Modesto transit manager was recently hired to administer Ceres Transit services three days a week.

Pursuant to TDA, the City receives LTF proceeds and State Transportation Assistance Funds (STAF). TDA revenues are used primarily toward operating expenditures. Based on State Controller Report data, LTF revenues received by the City during the audit period were \$1,000,670 in FY 2013; \$1,139,854 in FY 2014; and \$1,031,537 in FY 2015. STAF revenues received were \$80,718 in FY 2013 and \$297,147 in FY 2015.

Grants Management

Grant funding allocated toward supporting transit services are derived from local and state sources. Ceres does not receive federal formula grants for transit, as the City of Modesto claims all federal urban transit grants (FTA Section 5307) under the transit cost sharing agreement.

The City has been successful in procuring State Proposition 1B Public Transportation Modernization, Improvement & Service Enhancement Account program funding for the new Genfare SPX automated farebox collection system, which cost \$155,636. In addition, two CNG vehicles were procured in November 2014 and placed into revenue service in February 2015. Grant proceeds expended on this project are itemized on a series of spreadsheets compiled by the administrative analyst. Ceres is planning to install additional bus shelters with Proposition 1B funds pending the release of an RFP.

Section VI

Findings

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

Triennial Audit Findings

1. Of the compliance requirements pertaining to Ceres, the operator fully complied with eight out of the nine applicable requirements. The operator was not in compliance with regard to its fixed-route farebox recovery attainment. The fixed-route farebox ratio requirement established by StanCOG is 15 percent. Two additional compliance requirements are not applicable to Ceres (e.g., intermediate farebox recovery ratio under PUC 99270.1, and use of federal funds).
2. Ceres's transit modes are subject to separate farebox recovery standards set by StanCOG: 15 percent for fixed-route and 10 percent for Dial-A-Ride. During the audit period, the farebox recovery ratio for fixed route was 11.42 percent in FY 2013; 14.71 percent in FY 2014; and 13.47 percent in FY 2015. The farebox ratios for Ceres Dial-A-Ride were 12.57 percent in FY 2013; 12.10 percent in FY 2014; and 11.97 percent in FY 2015.
3. Through its contract operator, the City participates in the CHP Transit Operator Compliance Program and received vehicle inspections within the 13 months prior to each TDA claim. Satisfactory ratings were made for all inspections conducted during the audit period.
4. The operating budget exhibited modest fluctuations during the audit period. There were increases in FY 2013 and FY 2015 of 6.8 and 6.0, percent respectively. There was a budget decrease of 4.5 percent in FY 2014.
5. Ceres partially implemented one of the three prior audit recommendations, which pertained to fare restructuring and incentives; this recommendation is carried forward in this audit for implementation. The recommendation relating to incentives and penalties in the operating contract was no longer applicable. The third recommendation that pertained to the SRTP update was not implemented and is carried forward for full implementation in this audit.
6. Operating costs system-wide decreased 5.3 percent based on audited data from the FY 2012 base year through FY 2015. Fixed-route operating costs remained relatively unchanged during the audit period. In contrast, Dial-A-Ride operating costs decreased 11.1 percent, slightly more than double the system-wide decrease. The decline in operating costs reflects a decrease in service hours and decreased ridership.
7. Ridership decreased 16.1 percent system-wide during the audit period. Fixed-route ridership decreased 7.7 percent and Dial-A-Ride ridership decreased 26.8 percent. System-wide,

ridership experienced a more significant decrease of 10.6 percent between FYs 2013 and 2014 when passenger trips declined from 73,213 to 65,462. Factors affecting declining ridership include sluggish economic conditions that prompted less travel, and declining gas prices.

8. Cost-efficient measures such as operating costs per hour and per passenger show increases. On a per hour basis, operating costs increased marginally, while on a per passenger basis, costs increased at a greater rate. In spite of decreases in operating costs for the audit period, the rate of decline for vehicle service hours and miles was less.
9. The fixed-route service comprised three routes (Routes A, B, & C). A fourth route, Route D, was implemented in August 2012 as a tripper service to meet the demand of the City's student population.
10. Ceres implemented several equipment upgrades during the audit period. Two CNG vehicles were procured in November 2014 and placed into revenue service in February 2015. In addition, Ceres installed electronic GenFare XPX fareboxes on nine vehicles in February 2015. The electronic fareboxes were funded with Proposition 1B grant funds and allow for the issuance of fare card media that is compatible with StaRT and MAX.
11. The City's operations and maintenance contract with Storer Transit Systems was scheduled to expire in June 2013 but was extended through June 30, 2014. An RFP was jointly released by the Cities of Ceres and Modesto and the County of Stanislaus for the operation of their respective transit systems in September 2013.
12. The City of Ceres uses a variety of methods and collateral to market its transit services within the community and region at large. The most prominent marketing tool is a multi-fold glossy riders guide which contains a system route map, schedules, fares, and general information about both CAT and CDAR. The riders guide was updated in July 2014 and contains information about the new fare cards.
13. The transit system had been administered by an administrative analyst in the City's Engineering Division since 1993. The administrative analyst retired in November 2015. The position was filled on an interim basis until the City hired the former City of Modesto transit manager on a part-time basis.

Recommendations

1. Update the Short-Range Transit Plan (SRTP).

This recommendation is being carried forward for full implementation. With the recent service challenges, changes, and potential development opportunities, the prior performance audit recommended an update to the SRTP which was last updated in 2008. The City did not update its SRTP during the audit period but has budgeted funds toward a future SRTP update.

In the interim, the City has recently proposed the implementation of a fare and route restructuring in order to attain greater cost efficiencies. Once these service changes are implemented as of December 1, 2016, it would be more critical for the City to monitor performance and plan for future changes based on projected demand. Therefore, it is suggested that the City pursue a SRTP update which could follow the findings from an anticipated efficiency study to be commissioned by StanCOG.

2. Monitor changes to existing fare structure to ensure higher usage of the CAT fixed route.

This recommendation was partially implemented and is carried forward for full implementation. The City implemented a \$1.80 student fare on the CAT fixed route, priced \$0.20 below the regular fare to encourage ridership by local primary and secondary school students. However, the remaining fare structure remained unchanged. While falling outside of time frame of this audit, the City held two public meetings in summer of 2016 to discuss major changes proposed for the transit system. The City has proposed an increase in fares on CDAR as well as a consolidation of routes to become more cost-effective. In addition, fares on CAT will be reduced to incentivize ridership. In concert with the SRTP update and other analyses, it is suggested that City follow through and monitor the changes to its fare structure.

3. Work with fiscal auditor to include farebox recovery analysis in the TDA fiscal audit.

Pursuant to PUC Section 99245, the City is required to submit an annual TDA fiscal and compliance audit to StanCOG and to the State Controller within 180 days following the end of the fiscal year. The City commissions its own TDA fiscal audit and retains the CPA firm. It is noted that the TDA fiscal audit prepared for the City does not show a calculated farebox ratio that would typically be included in the summary notes in the fiscal audit. Ceres's transit modes are subject to separate farebox recovery standards set by StanCOG. It is recommended that the City work with the fiscal auditor to calculate farebox recovery by service mode (fixed route and Dial-A-Ride) for the annual audit. New state legislation (Senate Bill 508, October 2015) also impacts the farebox calculation, which should be accounted for.

4. Conduct cross training of staff for City transit administration.

With retirement of the administrative analyst in November 2015 and assignment of transit to the administrative clerk on a short-term interim basis, the City hired the former City of Modesto transit manager on a part-time basis to administer the transit program. Given this arrangement, it is recommended that City Public Works staff continue to be cross trained in transit administration. Cross training can take the form of shadowing the current transit manager in some elements of transit administration, preparation of staff reports, and oversight of the transit contract and performance measures.