

# SAN LUIS OBISPO COUNCIL OF GOVERNMENTS

## STAFF REPORT

**MEETING DATE:** JULY 15, 2009

**SUBJECT:** Request-for-Proposal-Transportation Development Act Triennial Performance Audits for South County Area Transit, Cities of Atascadero, Morro Bay and Paso Robles

### SUMMARY

The Transportation Development Act (TDA) requires SLOCOG hire an independent contractor to perform triennial performance audits of all recipients of state TDA monies in the region, including itself. The upcoming cycle of performance audits (full year review through June 30, 2009) covers four agencies:

- The **South County Area Transit (SCAT)** local fixed-route system;
- The **City of Atascadero** local Dial-a-Ride service and intercity fixed-route (North County Shuttle);
- The **City of Morro Bay** Dial-a-Ride and trolley; and
- The **City of Paso Robles** fixed-route and Dial-a-Ride; including the North County Shuttle, an inter-community service jointly operated with the City of Atascadero.

In addition the Request-for-Proposals (RFP) will include the next cycle of performance audits (full year review through June 30, 2010) respectively for San Luis Obispo Transit, the Regional Transit Authority (RTA) and the County rural program (administered by the RTA).

For FY 2009/10, the Board adopted the Local Transportation Funds (LTF) allocations in June 2009; due to the loss of State Transit Assistance (STA) funds effective July 1, 2009, the budget for the four triennial performance audits is covered by LTF funds coming from the individual operators (\$15K each). A similar approach is recommended for FY 2010/11.

Upon Board approval, the RFP will be sent out in July with responses due in September. The technical Scope-of-Work is attached (Page C-2-5). A committee made of representatives from each agency and SLOCOG will review and score the written proposals with anticipated contract award by mid-October. The award will be based on the review committee ratings and professional references' checks by SLOCOG.

### RECOMMENDATION

**Staff:** Approve the Scope-of-Work, RFP release and Authorize the Executive Director to award contract

**Review Committee:** to be convened in mid-September

**TTAC/CTAC:** To be presented in an Addendum

### DISCUSSION

Factors relevant to the FY 09/10 triennial audits are given below for those four agencies:

- South County Area Transit** (including the Avila Beach trolley): This audit will cover a four-year period since the last performance audit. The trends analysis will examine the respective performance of the 7 days-a-week local fixed-route in the Five Cities area and the weekend Avila Beach trolley. One of the prior recommendations was to implement the 2004 marketing plan and improve opportunities for local participation. The review will include the near-term impacts upon performance from the August 2009 evening service cuts and fare increase.

- b) Atascadero Transit** (including the North County Shuttle): This audit will cover a three-year period. The trends review will quantify the performance of the local Dial-a-Ride and the portion of the North County Shuttle operated by the City as well as the North County Shuttle as a whole (similar to the Paso Robles audit). One of the prior recommendations was to monitor and take steps to meet the urbanized area farebox ratio of 20 percent (implemented by the City).
- c) City of Morro Bay** (including the local trolley): The trends analysis will examine the respective performance of the local Dial-a-Ride (DAR) and seasonal trolley. One of the prior recommendations was to revisit the DAR productivity standard (implemented). The auditor will also assess the impacts of the July 2009 service reduction and fare increases upon the DAR performance using year-to-date data for FY 2009-10.
- d) City of Paso Robles** (combining "Paso Express" (two local routes) and the North County Shuttle): This audit will cover a four-year period since the last performance audit. The auditor will review the growth in local fixed-route demand and how the City is addressing high midday passenger loads. Based on a focused review of its first three years in service, the auditor will examine issues raised by the City and SLOCOG in the North County Shuttle cost-effectiveness reporting based on the current revenue-sharing mechanism with the City of Atascadero.

In each case, the first cycle of performance review will extend past the end of the audit period (June 30, 2009) and identify other more recent developments relevant to the scope and audit findings, including:

1. Proposed changes in reporting and financial allocation for the North County Shuttle among the two North County operators (Cities of Paso Robles and Atascadero);
2. Progress made with the launch of the Midday Shuttle in Paso Robles (pending grant award);
3. Impacts of the Paso Robles and North County Shuttle increased base fares;
4. Operators' follow up to recommendations from the 2007 Coordinated Human Services Public Transportation Plan, mostly those related to service delivery or other proposed improvements;
5. Implementation of the 2008 Region-wide Fare Improvement Study policies, including consistent discount fare practices;
6. SCAT performance-related factors that might help staff and policy-makers scope potential efficiencies, for instance in the event the local system was to become an integral part of the RTA regional transit system; and
7. Near-term implications of declining TDA revenues and increasing costs for the Morro Bay Dial-A-Ride service in the context of the 2009 Estero Bay transit efficiency review.

## **REQUEST-FOR-PROPOSALS (RFP)**

### **TRIENNIAL PERFORMANCE AUDITS FY 2006/07 to FY 2008/09 & FY 2007/08 to FY 2009/10**

## **INTRODUCTION**

### ***Content of the Audits***

This Request-for-Proposals covers seven (7) Transportation Development Act (TDA) triennial performance audits, four of which in the first year of the review and three in the second year. The State Transportation Development Act (TDA) requires that SLOCOG conduct an independent review of local and regional transit providers that receive annual TDA funds. All first year audit reports must be completed by June 2010 with findings presented to the SLOCOG Board in early June 2010. The second year audit reports must be completed by June 2011 with findings presented to the SLOCOG Board in June 2011.

The 1<sup>st</sup> year audit covers the following four operators:

- South County Area Transit (SCAT) from July 1<sup>st</sup> 2005 to June 30<sup>th</sup> 2009 (four years);
- City of Atascadero Transit from July 1<sup>st</sup> 2006 to June 30<sup>th</sup> 2009 (three years);
- City of Morro Bay from July 1<sup>st</sup> 2006 to June 30<sup>th</sup> 2009 (three years); and
- City of Paso Robles from July 1<sup>st</sup> 2005 to June 30<sup>th</sup> 2009 (four years).

The 2<sup>nd</sup> year audit (July 1<sup>st</sup> 2007 to June 30<sup>th</sup> 2010) will cover the 3 operators given below:

- City of San Luis Obispo Transit;
- Regional Transit Authority; and
- County of San Luis Obispo.

While the first year audit period extends to June 30<sup>th</sup>, 2009 (three years), any more recent development directly impacting performance, operations, TDA compliance or other aspects (even if they took place after July 1, 2009) must be acknowledged by the reports. Similarly the second year audits should acknowledge any significant developments that might happen after July 1<sup>st</sup> 2010. The consultants will enter into a single contract with SLOCOG, i.e. the Regional Transportation Planning Agency (RTPA).

### ***Operators to be audited in FY 2009/10***

Listed below are the four operators to be audited in the first year of this contract.

- **South County Area Transit (SCAT)** a local fixed-route bus operator within the Five Cities area plus the weekend Avila Beach Trolley to the north. In FY 2007/08 SCAT carried a total of 200,000 riders (after rounding). Up-to-date information on map and schedule can be found at [www.slorta.org](http://www.slorta.org).
- **Atascadero Transit** is a local Dial-A-Ride (DAR) system within the City limits combined with a local fixed route service connecting the City of Atascadero with the City of Paso Robles (North County Shuttle). In FY 2008/09 the DAR service carried a total of 24,600 riders. More information can be found at [www.atascadero.org](http://www.atascadero.org).
- **City of Morro Bay** program combines a local Dial-A-Ride system within the City limits with a seasonal trolley serving State Parks to the north and south of the City. In FY 2007/08 the program carried a total of 34,400 DAR riders and 83,750 trolley riders. Up-to-date information on the program can be found at [www.morro-bay.ca.us](http://www.morro-bay.ca.us)
- **City of Paso Robles** is a local fixed-route bus operator, called Paso Express combining three routes with a Dial-A-Ride program (within the City limits). In FY 2007/08, Paso Express carried a total of 157,000 riders (after rounding) while the North County Shuttle (Paso Robles and Atascadero combined) carried 83,750 riders. More information on current routes and schedules can be found at [www.prcity.org](http://www.prcity.org).

***Operators to be audited in FY 2010/11***

Listed below are the three operators to be audited in the second year of this contract.

- **San Luis Obispo Transit** (SLO-Transit), a local bus fixed-route operator within the City limits and to/from the adjacent California Polytechnic State University (Cal Poly) campus plus a tourist-oriented vintage trolley serving downtown. In FY 2007/08, SLO Transit carried a total of 1,004,000 riders (after rounding). The current map and schedule are posted at [www.slocity.org/visit](http://www.slocity.org/visit).
- **The Regional Transit Authority** (RTA), a Joint Powers Authority, funded by the County and the seven cities in the region. Regional bus routes connect many parts of the County with the downtown SLO transit hub and extend into Santa Maria (north Santa Barbara County); See [www.slorta.org](http://www.slorta.org) for a profile of current routes. In FY 2007/08 regional buses carried a total of 453,900 riders (after rounding). RTA also manages the complementary Americans with Disabilities Act (ADA) service (called Runabout) for all regional and local bus routes, plus local trolleys. Runabout carried 30,900 riders in FY 2007/08.
- **The County of San Luis Obispo** rural transit program, managed by the RTA under contract with the County is made of separate services in rural, outlying areas. Those consist of two Dial-A-Rides, a vintage trolley, two rural shuttles and several small specialized services for seniors. In FY 2007/08 the total DAR ridership was 30,500 and the Cambria trolley carried 14,100 riders. See August 2008 County Area Transit triennial audit report at [www.slocog.org/Reports](http://www.slocog.org/Reports) for a more detailed description.

## **SCOPE-OF-WORK**

The Scope-of-Work consists of the seven tasks given below:

### **TASK 1-INTERVIEWS and SITE VISITS**

Upon contract award, the SLOCOG project manager will provide the consultant with a contact list for the operators. Several weeks before the site visit, the consultant will submit a written data request to SLOCOG; SLOCOG will forward the request to the operators for all items not already on file at SLOCOG (fiscal audits; prior triennial audits; adopted plans; quarterly performance summaries). Local agencies will be asked to respond to the initial requests within two weeks for material that is readily available. Other items, warranting more time for preparation, will be discussed at the kick off meeting.

SLOCOG will schedule the kick off meeting with the consultant and at least one representative from each operator. The meeting will be divided into segments to cover each operator separately. As much as possible, the consultant will have reviewed the background information received before conducting the more detailed on site interviews with each agency. SLOCOG staff will coordinate the participants' schedules to minimize the number of trips by the consultant.

### **TASK 2-COMPLIANCE with REGULATORY REQUIREMENTS**

The consultant will review and determine each agency's compliance with the Transportation Development Act (TDA) and applicable sections of the California Code of Regulations. As a minimum, the Code sections for which compliance is to be verified are those specified within the January 1998 "Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Agencies". The consultant will also take into account any more recent provisions from the updated TDA manual issued by the California Department of Transportation. Should the consultant identify areas of non-compliance, a finding regarding the non-compliance should be made explicitly for each year of non-compliance.

### **TASK 3-STATUS OF PRIOR PERFORMANCE RECOMMENDATIONS**

The consultant will review the most recent prior performance audits for each operator and assess each agency's implementation of the prior audit recommendations. The consultant will determine whether the prior recommendations were fully or partly implemented.

The consultant will also review those recommendations, which have not yet been implemented, and for each one determine whether they are:

- No longer applicable due to changes that took place since the last audit;
- Infeasible; or
- Still valid, and worthy of implementation.

If a prior recommendation has not been implemented but still has merit, the consultant should include the prior recommendation(s) or a modified version in the current audit report (Tasks 6 and 7).

The consultant will also identify recommendations already implemented or in progress. For those, the consultant should assess the benefits already achieved by follow up to the prior recommendations. Significant accomplishments and/or failures in implementing prior recommendations should be recognized and appropriate corrective actions identified in this Task. Such findings and relevant recommendations for corrective actions will be summarized in the audit report with a near-term implementation schedule.

## TASK 4- REQUIRED PERFORMANCE INDICATORS

This task is divided into two subtasks

### *4-a- Data Collection and Reporting*

The consultant will review and validate the collection of operating and financial data needed for deriving the five TDA-required performance indicators. Those indicators are respectively:

- Operating cost per vehicle service hour
- Operating cost per rider
- Riders per vehicle service hour
- Riders per vehicle service mile and
- Hours per employee.

In addition the consultant will review the methods used to collect the farebox revenues and account for other supplemental revenues used in the derivation of annual farebox recovery ratios. This in-depth review will be done for each mode and each service part of the systems being audited.

The consultant will assess whether any changes in data collection or related actions by the operators or their contractors are needed to ensure TDA compliance. This subtask will assess the operators' ability to accurately calculate the five TDA indicators (plus the farebox recovery ratio) and to monitor their year-to-year trends.

### *4-b- Quantitative Trends*

The consultant will analyze performance indicators and present quantitative trends with detailed tables and supporting charts. Those will be accompanied by a short synopsis on the interpretation of those trends for early review by the operators. The consultant will analyze recent trends (three audit years) and compare those with the previous three years (data from prior triennial performance audits); as applicable the consultant will identify potential issues or concerns in need of further interpretation with the functional review (Task 5).

In the case of SCAT, the trends will be shown and analyzed separately for the local bus and the weekend trolley. In the case of each municipal system, the trends will be shown and analyzed separately for the fixed-route and Dial-A-Ride operations. In the case of the North County Shuttle the trends will be shown separately for the Paso Robles and Atascadero parts of the service as well as summarized for the North County Shuttle as a whole.

The consultant will also quantify and review the trends in the annual farebox recovery ratio and address compliance with the applicable TDA-required minimum. In the case of non-compliance, the consultant will develop near-term recommendations for increasing the farebox recovery ratio and integrate those recommendations into the final audit reports.

As relevant to service areas, riders' groups or service components of all operators being audited, the consultant might define, calculate and analyze other indicators (besides the 5 TDA-required ones) financial or operating data appropriate to better interpret local or program-specific performance trends. Such data should help the agencies and the region understand the root of potential problem areas and identify needed improvements. Other elements should also be considered to identify specific factors impacting the overall trends (such as fare changes, operating contract terms, administrative transfers etc.).

## TASK 5-FUNCTIONAL REVIEWS

The consultant will review each operator's function. The functional review will include interviews with each operator's management, staff, and governing board, plus SLOCOG staff as well as other operators or administrators involved in the transit or paratransit programs in overlapping service areas. Aspects of the system performance will be examined based on:

- Operator and SLOCOG interviews dealing with operators' functions (such as administration, operations, dispatch, maintenance, customer relations, public involvement, planning, grants, marketing);
- Review and analysis of major changes in the audit period;
- Significant achievements in the audit period or to date;
- Roles of advisory committee(s) and methods used for local public participation;
- Reports, such as prior audits, users' surveys, Short-Range Transit Plans, staff reports and City Council/Board agendas;
- Prior or recent findings on TDA indicators and actions taken to address performance issues;
- Review of fare structure, collection methods and reporting of subsidies;
- Derivation of farebox recovery ratios and adequacy of operating cost exemptions;
- Compliance with state and Federal regulations on discount fares and on the use of eligible matching funds;
- Follow up actions to prior audit recommendations as reported to SLOCOG and verified by the auditor;
- Review of operators' compliance with other statutory and regulatory requirements tied to grant sources;
- Consideration of proposed near-term changes per the on going transit efficiencies reviews done by staff and policy-makers at the sub-regional level; and
- Other areas relevant to the auditor's review.

Insight into inefficient or ineffective performance should lead to further investigation by the consultant. This may include collecting additional data from the operators, computing or reviewing supplemental performance indicators. The final report should offer any recommendations on how to remedy areas of inefficient or ineffective performance and give the supporting rationale for each recommendation.

In all areas the consultant should make clear and concise recommendations with a specific timeline for implementation (by year and quarter) and identify who will be responsible for the follow up actions.

## TASK 6-DRAFT AUDIT FINDINGS and RECOMMENDATIONS with DRAFT REPORTS

The consultant will prepare four (4) separate draft audit reports in the first year and three (3) separate audit reports in the second year. One key objective of the triennial performance audit is to help management, the administrators, the operators and their contractors to improve operations, increase efficiency and cost-effectiveness. Thus, the performance audit should strive to present audit findings, conclusions, and recommendations in a positive and easy-to-understand manner. Listed below are the recommended elements of the performance audit report:

**A-Table of Contents** – Listing of the chapter headings and major sections in the performance audit report, tables and figures with associated page numbers;

**B-Executive Summary** – A synopsis of key findings and recommendations (i.e. to be used as a standalone product for wider distribution, Power Point slides and web posting);

**C-Introduction** – Background information useful in understanding the entity being audited and how each audit was conducted. This part might include:

- Information about the transit operator’s recent history, organization, budget, staffing, and nature of the services provided;
- Overview of regulatory requirements relevant to the audit;
- Description of the approach and methods used in conducting the audit; and
- Limitations regarding how the audit was performed, or caveats in the data supplied by the operator with any assumptions made by the consultant in presenting such data.

**D-Audit Findings** – This part of the audit report should present findings for each major area of the performance review such as:

- Results of the compliance review (Task 2);
- Status of prior audit report recommendations (Task 3);
- Verification and interpretation of performance audit indicators (Tasks 4-a and 4-b);
- Results of the functional review of each operator and organization (Task 5); and
- Other pertinent information such as changes during the audit period that impacted services and performance: fare structure; service coverage; route frequency or days of service; service mix; operating rules; funding sources; managerial and contract terms; state or Federal reporting requirements; and implications of the on-going transit efficiency reviews (Task 5).

**E-Conclusions and Recommendations** – A summary of the major findings and recommendations. The consultant will develop and recommend specific strategies and present concrete ways to address any performance issues. The consultant will summarize proposed follow up actions with a schedule and identify the party (-ies) responsible to take such actions with a specific timeline for implementation.

## **TASK 7-FINAL REPORTS- Report Production, Presentations and Final Deliverables**

The auditor will provide the *administrative draft reports* to the operators for initial reviews to ensure accuracy of the factual information and quantitative data. The consultant will make adjustments as needed. The first draft audit reports will then be transmitted to SLOCOG staff for further review and comments. The consultant will integrate comments on the first drafts following a 2-week review period and send PDF files of the final *draft audit reports* to SLOCOG. The drafts production schedule (See Project milestones-first year audits) will be as follows:

- One month before the May agenda distribution (Early April 2010) to the three regional advisory committees, the consultant shall release the administrative draft audits for each agency.
- By mid-April following review by the operators, the consultant will submit the first draft reports to SLOCOG for further review and comments. The consultant will incorporate follow up to the written comments for preparation of the final draft reports.
- The consultant will issue the complete audit reports in final draft forms by early May 2010.
- The summaries of findings and recommendations will be presented to the three regional advisory committees by SLOCOG staff. (The consultant is not expected to attend the end of May 2010 advisory committees meetings).

Based on input from the advisory committees, the auditor will finalize the audit reports and send PDF files of the final reports to SLOCOG. The consultant will present the *final draft audit findings and recommendations* in early June 2008 to the SLOCOG Board, a joint Board with the San Luis Obispo

RTA (SLORTA). A shorter presentation to the SLO Transit Mass Transportation Committee (MTC) will be scheduled, if needed (per calendar set by the City).

Based on the scope, the proposal should give a budget allocation among the seven tasks and for each system. The budget should also itemize other direct costs for material expenses and travel to the San Luis Obispo area by the designated personnel. A total of seven (7) trips are projected as follows:

- Task 1-Operators' initial interviews (3 to 4 days)-one (1) trip;
- Task 5-Follow up site visits re-functional reviews (2 days-each)-two (2) trips;
- Task 7-Presentation of four audits to the SLOCOG Board (1 day)-one (1) trip; and
- Task 7- Individual audits' presentation to local agencies-three (3) trips.

Throughout the two-year project SLOCOG staff will schedule the consultant's visits with the operators and the final presentations and attempt to minimize the number of trips to San Luis Obispo.

### **First Audit Year PROJECT MILESTONES**

July 16 <sup>th</sup> 2009	Advertise RFP to potential respondents
September 9 <sup>th</sup> , 2009	Proposals from the consultants due to SLOCOG
Mid-September	Review Committee to score the written proposals
October 14 <sup>th</sup> 2009	Contract award
Nov 2009-early December 2009	Conduct Interviews, initial field trips, data collection
Mid January- February 2010	Follow-up site visits, performance and functional reviews
March 2010	Assemble four (4) administrative drafts for local agencies' review
Mid April 2010 Early May 2010	Submit the <i>first draft reports</i> to SLOCOG Incorporate SLOCOG comments on full draft reports
Mid-May 2010	Provide revised <i>e-final draft reports</i> for Advisory committees' agendas and web posting (Executive Summaries and full audits)
Early June 2010	Present findings and recommendations to the SLOCOG Board
Early to mid- June 2010	Present findings and recommendations to local policy bodies as needed
End of June 2010	Issue <i>final audit reports</i> in PDF formats (send to SLOCOG 5 bound copies of each report) by June 30 <sup>th</sup> , 2010

A similar timeline starting in November 2010 and ending in June 2011 applies to the Second Audit Year. No new written proposal will be needed for the second year. The consultants should submit a separate budget for each audit year, itemized by task and combining all the audits to be performed in each year. A breakdown of labor expenses and other direct costs should be included in the written proposals.