

City of Arcata



TDA Triennial Performance Audit for Fiscal Years 2022/23, 2023/24, and 2024/25



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Chapter 1 | Executive Summary

In 2025, the Humboldt County Association of Governments (HCAOG) selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the transit operators to which it allocates TDA funding.

The California Public Utilities Code requires all recipients of Transit Development Act (TDA) Article 4 funding to undergo an independent performance audit on a three-year cycle in order to maintain funding eligibility. Audits of Article 8 recipients are encouraged.

The Triennial Performance Audit is designed to be an independent and objective evaluation of the City of Arcata as a public transit operator, providing operator management with information on the economy, efficiency, and effectiveness of its programs across the prior three fiscal years. In addition to assuring legislative and governing bodies (as well as the public) that resources are being economically and efficiently utilized, the Triennial Performance Audit fulfills the requirement of PUC Section 99246(a) that the RTPA designate an entity other than itself to conduct a performance audit of the activities of each operator to which it allocates TDA funds.

This chapter summarizes key findings and recommendations developed during the Triennial Performance Audit (TPA) of the City's public transit program for the period:

- Fiscal Year 2022/23,
- Fiscal Year 2023/24, and
- Fiscal Year 2024/25.

The City of Arcata's transit program is marketed as the Arcata & Mad River Transit System (A&MRTS). A&MRTS provides fixed-route service along four routes within Arcata. Two core loops (Red and Gold) operate Monday through Friday from 7 a.m. to 10 p.m. while Cal Poly Humboldt is in session and from 7 a.m. to 7 p.m. when the school is not in session. The Orange Loop provides service on Saturdays and holidays from 7 a.m. to 7 p.m. The fourth route, the Green & Gold Loop, serves the Cal Poly campus and surrounding areas.

Subsequent to FY 2024/25 (the final year of the period being audited), the Humboldt Transit Authority assumed full operation of A&MRTS. As such, the City is no longer considered to be a transit operator after FY 2024/25.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that the audit team plans and performs the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. Moore & Associates believes the evidence obtained provides a reasonable basis for our findings and conclusions.

This audit was also conducted in accordance with the processes established by the California Department of Transportation (Caltrans), as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*.

The Triennial Performance Audit includes five elements:

- Compliance requirements,
- Prior recommendations,
- Analysis of program data reporting,
- Performance Audit, and
- Functional review.

Test of Compliance

Based on discussions with City staff, analysis of program performance, and an audit of program compliance and function, the audit team presents three compliance findings:

- Transit Operator State Controller Reports were not submitted prior to the January 31 deadline during the last two years of the audit period.
- The TDA fiscal audit for FY 2022/23 was completed nearly one month after the March 31 deadline.
- Use of the TDA definition of Full-time Equivalent (FTE) Employee could not be confirmed, as no calculation methodology was provided.

Status of Prior Recommendations

The prior Triennial Performance Audit – completed in July 2023 by LSC Transportation Consultants for the three fiscal years ending June 30, 2022 – included the following recommendations:

1. Calculate and report Employee Hours/Full-Time Equivalency to the State Controller in accordance with the definition in Appendix B of the Performance Audit Guidebook.
Status: Not implemented/no longer relevant.
2. Work with the independent auditor to obtain a copy of the submitted State Controller Report for each fiscal year.
Status: Partially implemented/no longer relevant.
3. Work with Fiscal and Compliance Auditor to submit Fiscal and Compliance Audits to the State Controller and HCAOG within 180 days of the end of the fiscal year. If a 90-day extension is required and requested, A&MRTS should maintain the extension request in the files along with the reports.
Status: Implemented/no longer relevant.
4. If the farebox recovery ratio falls below the 10 percent TDA requirement, consider the local fund inclusions and operating cost exclusions for farebox ratio calculation purposes in the Fiscal and Compliance Audit as per AB 149.
Status: Implemented/no longer relevant.
5. Report transit performance data to the HCAOG SSTAC monthly.

Status: Implemented.

Findings and Recommendations

Based on discussions with City staff, analysis of program performance, and a review of program compliance and function, the audit team submits the aforementioned findings related to TDA compliance for the City of Arcata.

- State Controller Reports were not submitted prior to the January 31 deadline during the last two years of the audit period. The submittal date for the FY 2022/23 report could not be verified, as no cover page was provided.
- The TDA fiscal audit for FY 2022/23 was completed nearly one month after the March 31 deadline. Subsequent audits were completed by the extended deadline.
- Use of the TDA definition of Full-time Equivalent (FTE) Employee could not be confirmed, as no calculation methodology was provided. However, given one FTE was reported each year, it does not appear that the TDA definition was employed.

Recommendations are intended to assist in bringing the operator into compliance with the requirements and standards of the TDA as well as address non-compliance-related issues, challenges, or opportunities observed during the site visit and functional review. No recommendations are presented for the City of Arcata given the City is no longer a transit operator.



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Chapter 2 | Audit Scope and Methodology

The Triennial Performance Audit (TPA) of the City of Arcata’s public transit program covers the three-year period ending June 30, 2025. The California Public Utilities Code requires all recipients of Transit Development Act (TDA) funding to complete an independent review on a three-year cycle in order to maintain funding eligibility.

In 2025, the Humboldt County Association of Governments (HCAOG) selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the transit operators to which it allocates TDA funding. Moore & Associates is a consulting firm specializing in public transportation, including audits of non-TDA Article 4 recipients. Selection of Moore & Associates followed a competitive procurement process.

The Triennial Performance Audit is designed to be an independent and objective evaluation of the City of Arcata as a public transit operator. Direct benefits of a Triennial Performance Audit include providing operator management with information on the economy, efficiency, and effectiveness of its programs across the prior three years; helpful insight for use in future planning; and assuring legislative and governing bodies (as well as the public) that resources are being economically and efficiently utilized. Finally, the Triennial Performance Audit fulfills the requirement of PUC Section 99246(a) that the RTPA designate an entity other than itself to conduct a performance audit of the activities of each operator to whom it allocates funds.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that the audit team plans and performs the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The auditors believe the evidence obtained provides a reasonable basis for our findings and conclusions.

The audit was also conducted in accordance with the processes established by the California Department of Transportation (Caltrans), as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, as well as *Government Auditing Standards* published by the U.S. Comptroller General.

Objectives

A Triennial Performance Audit (TPA) has four primary objectives:

1. Assess compliance with TDA regulations;
2. Review improvements subsequently implemented as well as progress toward adopted goals;
3. Evaluate the efficiency and effectiveness of the transit operator; and
4. Provide sound, constructive recommendations for improving the efficiency and functionality of the transit operator.

Scope

The TPA is a systematic review of performance evaluating the efficiency, economy, and effectiveness of the transit operator. The audit of the City of Arcata included six tasks:

1. A review of compliance with TDA requirements and regulations.
2. A review of the status of recommendations included in the prior Triennial Performance Audit.
3. A verification of the methodology for calculating performance indicators including the following activities:
 - Assessment of internal controls,
 - Test of data collection methods,
 - Calculation of performance indicators, and
 - Evaluation of performance.
4. Comparison of data reporting practices:
 - Internal reports,
 - TDA fiscal audits,
 - State Controller Reports, and
 - National Transit Database.
5. Examination of the following functions:
 - General management and organization;
 - Service planning;
 - Administration;
 - Marketing and public information;
 - Scheduling, dispatching, and operations;
 - Personnel management and training; and
 - Maintenance.
6. Conclusions and recommendations to address opportunities for improvement based upon analysis of the information collected and the audit of the transit operator's major functions.

Methodology

The methodology for the Triennial Performance Audit of the City of Arcata included thorough review of documents relevant to the scope of the audit, as well as information contained on the City's website. The documents reviewed included the following (spanning the full three-year period):

- Monthly performance reports;
- State Controller Reports;
- Annual budgets;
- TDA fiscal audits;
- Transit marketing collateral;
- TDA claims;
- Preventive maintenance schedules and forms;
- California Highway Patrol Terminal Inspection reports;

- National Transit Database reports; and
- Accident/road call logs.

The methodology for this audit included a site visit with City representatives on March 10, 2026 at Arcata City Hall (located at 736 F Street). The audit team met with Netra Khatri (City Engineer) and reviewed materials germane to the triennial audit. The audit team also met with Greg Pratt from the Humboldt Transit Authority on March 11, 2026.

This report is comprised of eight chapters divided into three sections:

1. Executive Summary: A summary of the key findings and recommendations developed during the Triennial Performance Audit process.
2. TPA Scope and Methodology: Methodology of the review and pertinent background information.
3. TPA Results: In-depth discussion of findings surrounding each of the subsequent elements of the audit:
 - Compliance with statutory and regulatory requirements,
 - Status of prior recommendations,
 - Consistency among reported data,
 - Performance measures and trends,
 - Functional review, and
 - Findings and recommendations.



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Chapter 3 | Program Compliance

This section examines the City of Arcata’s compliance with the Transportation Development Act as well as relevant sections of the California Code of Regulations. An annual certified fiscal audit confirms TDA funds were apportioned in conformance with applicable laws, rules, and regulations. The City of Arcata considers full use of funds under California Code of Regulations (CCR) 6754(a) as referring to operating funds but not capital funds. The TPA findings and related comments are delineated in Exhibit 3.1.

Status of compliance items was determined through discussions with City staff as well as an inspection of relevant documents including the fiscal audits for each year of the triennium, State Controller annual filings, California Highway Patrol terminal inspections, annual operating budgets, year-end performance reports, and other compliance-related documentation.

Three compliance issues were identified for the City of Arcata:

- Transit Operator State Controller Reports were not submitted prior to the January 31 deadline during the last two years of the audit period. The submittal date for the FY 2022/23 report could not be verified, as no cover page was provided.
- The TDA fiscal audit for FY 2022/23 was completed nearly one month after the March 31 deadline. Subsequent audits were completed by the extended deadline.
- Use of the TDA definition of Full-time Equivalent (FTE) Employee could not be confirmed, as no calculation methodology was provided. However, given one FTE was reported each year, it does not appear that the TDA definition was employed.

Developments Occurring During the Audit Period

For many transit operators in California, recent years have reflected both the acute impacts of and recovery from the COVID-19 pandemic. By the end of FY 2024/25 – even earlier in some cases – most operators had exhausted federal relief funds, even though penalties for non-compliance with farebox recovery ratios continued to be waived. However, the receipt of federal relief funds complicated matters, as they impacted the amount of TDA funding operators were eligible to receive and, in some cases, resulted in over-payments that had to be resolved after the funds were spent. Many operators, even more than five years after the onset of the pandemic, still struggle with ridership that has yet to return to pre-pandemic levels.

California Assembly Bill 90, signed into law on June 29, 2020, provided temporary regulatory relief for transit operators required to conform with Transportation Development Act (TDA) farebox recovery ratio thresholds in FY 2019/20 and FY 2020/21. California Assembly Bill 149, signed into law on July 16, 2021, provided additional regulatory relief by extending the provisions of AB 90 through FY 2022/23 and adjusting definitions of eligible revenues and operating costs. Most recently, California Senate Bill 125, signed into law on July 10, 2023, extended protections provided via earlier legislation through FY 2025/26. While this means the audit period covered by this audit is fully exempt from penalties for non-compliance with the farebox recovery ratio, for example, it also means that transit operators may need to be in compliance by the second year of the next audit period.

While the ability to maintain state mandates and performance measures is important, these measures enabled transit operators to adjust to the impacts of the COVID-19 pandemic while continuing to receive their full allocations of funding under the TDA.

Together, these three pieces of legislation include the following additional provisions specific to transit operator TDA funding under Article 4:

- Prohibits the imposition of the TDA revenue penalty on an operator that did not maintain the required ratio of fare revenues to operating cost from FY 2019/20 through FY 2025/26.
- Expands the definition of “local funds” to enable the use of federal funding to supplement fare revenues and allows operators to calculate free and reduced fares at their actual value.
- Adjusts the definition of operating cost to exclude the cost of ADA paratransit services, demand-response and micro-transit services designed to extend access to service, ticketing/payment systems, security, some pension costs, and some planning costs.
- Allows operators to use STA funds as needed to keep transit service levels from being reduced or eliminated through FY 2025/26.

SB 125 also called for the establishment of the Transit Transformation Task Force to develop policy recommendations aimed at increasing transit ridership and improving the customer experience statewide. In the more than 50 years since the adoption of the Transportation Development Act (TDA), California’s public transportation landscape has evolved significantly. Many transit operators have struggled to meet the farebox recovery ratio requirement, raising questions about whether it remains an appropriate or effective measure of TDA compliance.

In 2018, the chairs of California’s legislative transportation committees asked the California Transit Association to convene a policy task force to examine the TDA. That effort produced a draft framework for reform in early 2020, just prior to the COVID-19 pandemic. The Transit Transformation Task Force released its report in December 2025. While the report includes several recommendations to modernize the TDA – including identifying the farebox recovery ratio and operating cost per hour requirements as outdated and recommending that farebox recovery and cost-inflation penalties be replaced – these proposals represent an initial step rather than immediate policy changes. Achieving the necessary funding and statutory reforms will require sustained advocacy over the coming years.



Exhibit 3.1 Transit Development Act Compliance Requirements

Compliance Element	Reference	Compliance	Comments
State Controller Reports submitted within seven months of the end of the fiscal year.	PUC 99243	Not in compliance	FY 2022/23: Not provided FY 2023/24: February 4, 2025 FY 2024/25: February 4, 2026
Fiscal and compliance audits submitted within 180 days following the end of the fiscal year (or with up to 90-day extension).	PUC 99245	Not in compliance	FY 2022/23: April 26, 2024 FY 2023/24: March 24, 2025 FY 2024/25: March 27, 2026
Operator’s terminal rated as satisfactory by CHP within the 13 months prior to each TDA claim.	PUC 99251 B	In compliance	01/29/2025 12/18/2023 11/10/2022 10/12/2021
Operator’s claim for TDA funds submitted in compliance with rules and regulations adopted by the RTPA.	PUC 99261	In compliance	
If operator serves urbanized and non-urbanized areas, it has maintained a ratio of fare revenues to operating costs at least equal to the ratio determined by the rules and regulations adopted by the RTPA.	PUC 99270.1	Not applicable	A&MRTS does not serve an urbanized area.
Except as otherwise provided, the allocation for any purpose specified under Article 8 may in no year exceed 50% of the amount required to meet the total planning expenditures for that purpose.	PUC 99405	Not applicable	The City of Arcata received Article 8(c) funds in FY 2024/25. Operation of the transit service was fully contracted to HTA that year.
An operator receiving allocations under Article 8(c) may be subject to regional, countywide, or subarea performance criteria, local match requirements, or fare recovery ratios adopted by resolution of the RTPA.	PUC 99405	Not applicable	While the City received Article 8(c) funds in FY 2024/25, no alternative performance criteria were identified.
The operator’s definitions of performance measures are consistent with the Public Utilities Code Section 99247.	PUC 99247	Compliance could not be confirmed	Use of the TDA definition of Full-time Equivalent (FTE) Employee could not be confirmed.
The operator does not routinely staff with two or more persons a vehicle for public transportation purposes designed to be operated by one person.	PUC 99264	In compliance	
The operator’s operating budget has not increased by more than 15% over the preceding year, nor is there a substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities unless the operator has reasonably supported and substantiated the change(s).	PUC 99266	In compliance	FY 2022/23: +12.50% FY 2023/24: +5.21% FY 2024/25: +20.14% <i>Source: City of Arcata A&MRTS budgets for FY 2023 – FY 2025. In FY 2025, the City began contracting out operation of its transit service (in addition to maintenance and storage).</i>



Compliance Element	Reference	Compliance	Comments
If the operator serves an urbanized area, it has maintained a ratio of fare revenues to operating cost at least equal to one-fifth (20 percent).	PUC 99268.2, 99268.4, 99268.1	Not applicable	
If the operator serves a rural area, it has maintained a ratio of fare revenues to operating cost at least equal to one-tenth (10 percent).	PUC 99268.2, 99268.4, 99268.5	In compliance	FY 2022/23: 31.84% FY 2023/24: 11.11% FY 2024/25: 8.52%* <i>Source: TDA fiscal audits. Calculation does not include HSU Special Transit Fares for FY 2024 and FY 2025, which are eligible to be included under AB 149. Penalties for non-compliance were waived during the audit period under AB 149 and SB 125.</i>
For a claimant that provides only services to elderly and handicapped persons, the ratio of fare revenues to operating cost shall be at least 10 percent.	PUC 99268.5, CCR 6633.5	Not applicable	
If the operator has utilized the exemption from the farebox recovery requirement for extension of services, it shall submit a report on the service to the RTPA within 90 days of the end of the first year of implementation.	PUC 99268.8, CCR 6633.8	Not applicable	
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 for 40 years.	PUC 99271	In compliance	
An operator claiming funds under Article 4.5 (CTSA) is in compliance with PUC 99268.3, 99268.4, 99268.5, or 99268.9, or regional, countywide, or county subarea performance criteria, local match requirements, or fare recovery ratios adopted by the RTPA.	PUC 99275.5	Not applicable	

**Note: In the FY 2024/25 TDA fiscal audit, the auditor added the cost of insurance premiums to the total operating costs rather than subtracting them, as allowed by the TDA. This resulted in the farebox recovery ratio in the TDA fiscal audit being calculated as 7.79 percent. The 8.52 percent farebox recovery ratio shown above reflects subtraction of the insurance premiums from the operating cost.*



Compliance Element	Reference	Compliance	Comments
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.	CCR 6754 (a) (3)	In compliance	
In order to use State Transit Assistance funds for operating assistance, the operator's total operating cost per revenue hour does not exceed the sum of the preceding year's total plus an amount equal to the product of the percentage change in the CPI for the same period multiplied by the preceding year's total operating cost per revenue hour. An operator may qualify based on the preceding year's operating cost per revenue hour or the average of the three prior years. If an operator does not meet these qualifying tests, the operator may only use STA funds for operating purposes according to a sliding scale.	PUC 99314.6	In compliance	This is included in the TDA claim. Arcata did use STA funds for operating. This requirement was waived during the audit period.
For an operator qualifying under PUC 99268.1, the funds received from the local transportation fund under Article 4 shall not exceed 50 percent of the amount that is the sum of the operator's operating cost, capital requirements, and debt service requirements less the sum of the operator's revenues from federal grants and the state transit assistance fund. The operator may receive from the local transportation fund up to 100 percent, rather than 50 percent, of the amount representing the operating cost of an extension of its public transportation system if the extension is within the definition of Section 6619.1 and if all the conditions of Section 6633.8 are met.	CCR 6633.1	Not applicable	



Compliance Element	Reference	Compliance	Comments
A transit claimant is precluded from receiving monies from the Local Transportation Fund and the State Transit Assistance Fund in an amount which exceeds the claimant's capital and operating costs less the actual amount of fares received, the amount of local support required to meet the fare ratio, the amount of federal operating assistance, and the amount received during the year from a city or county to which the operator has provided services beyond its boundaries.	CCR 6634	In compliance	In FY 2022/23 and FY 2023/24, the TDA fiscal auditors found the City had claimed more TDA funding than it was eligible to receive. Those funds were correctly identified and there is no compliance issue provided the City works with HCAOG regarding repayment.**

***Note: There appear to be inconsistencies in the data provided within the FY 2022/23 and FY 2023/24 TDA fiscal audits with respect to the Statements of Revenues, Expenses and Changes in Net Assets; Eligibility for Funds; and Fare Box Recovery Ratio sections. For example, in FY 2022/23, the Statements of Revenues and Note 8 (Fare Box Recovery Ratio) both cite \$754,456 as the operating cost (total cost less depreciation and Dial-A-Lift expenses). Note 7 (Eligibility for Funds) cites \$862,068 as the operating cost. In FY 2023/24, there are differences between the fare revenue cited in Note 7 (Eligibility for Funds) (\$124,688) and Note 8 (Fare Box Recovery Ratio) (\$124,640). While the variance here is minor, the Statements of Revenues cites Passenger Fares as \$59,853, plus HSU Special Transit Fares as \$480,952. Note 7 cites the HSU Special Transit Fares as \$416,165. In addition, the amount of LTF funds received differs between the Statements of Revenues and Note 7. There is greater internal consistency in the FY 2024/25 TDA fiscal audit. This may be due to a change in auditors for the final year of the audit period.*

Chapter 4 | Prior Recommendations

This section reviews and evaluates the implementation of prior Triennial Performance Audit recommendations. This objective assessment provides assurance the City of Arcata has made quantifiable progress toward improving both the efficiency and effectiveness of its public transit program.

The prior audit – completed in July 2023 by LSC Transportation Consultants for the three fiscal years ending June 30, 2022 – included the following recommendations:

1. Calculate and report Employee Hours/Full-Time Equivalency to the State Controller in accordance with the definition in Appendix B of the Performance Audit Guidebook.

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

TDA outlines definitions for performance indicators so that all transit operators report similar data to the state controller, which is available to the public can be used for comparison purposes.

For some transit agencies, reporting employee hours can be challenging as several different departments or companies contribute to the transit program. The prior auditor anticipated the City would be contracting with HTA for the general operations and maintenance of A&MRTS for at least one year. In an effort to meet the spirit of TDA, the prior auditor recommended the City of Arcata should do the following in terms of calculation of FTEs going forward:

- Tally the hours worked by drivers (HTA) operating A&MRTS routes.
- Work with HTA to develop an estimate of the proportion of HTA mechanic time spent on City of Arcata vehicles.
- Estimate the hours allocated to transit by the City Engineer and any other City Department such as Administration or Finance. For example: it is estimated that the City Engineer spends 5 percent of his time on transit or roughly 100 hours.
- Divide total hours by 2,000 and include this figure in the state controller reports.

Progress: In its response to the HCAOG regarding the status of this recommendation, the City noted that since Humboldt Transit Authority had begun providing drivers in addition to providing maintenance, this recommendation is no longer applicable. However, contracting out services (including drivers and maintenance) does not absolve an operator from the responsibility of ensuring it accurately reports full-time equivalent (FTE) employees on the State Controller Report. The prior auditor provided appropriate guidance in its recommendation for calculating FTE based on HTA-provided drivers. It is unclear what methodology the City has been using to report FTE to the State Controller; however, it has consistently reported one FTE each year of the audit period.

This, along with the City's response cited above, suggests that it did not calculate this metric using the TDA definition at any point during the audit period.

If the City had continued as the operator of the A&MRTS service, this recommendation would have been carried forward in this audit. However, given Humboldt Transit Authority assumed operations and maintenance of the A&MRTS, along with responsibility for reporting to the State Controller, it will be up to the HTA to accurately report FTE for A&MRTS and its other programs moving forward.

Status: Not implemented/no longer relevant.

2. [Work with the independent auditor to obtain a copy of the submitted State Controller Report for each fiscal year.](#)

Discussion: State Controller Reports are a summary of annual operating data and financial information by type of service which must be submitted to the State Controller's office seven months after the end of the fiscal year. The data is then available online for the public to review and compare with other transit operators. For this reason, it is important that correct and timely data is reported to the State Controller. For A&MRTS, an independent CPA firm prepares these reports. City staff did not have a copy of the State Controller reports on file during the audit. Although copies of the reports are available online, the prior auditor recommended the transit operator staff should at least be given a chance to review the reports prior to submission and maintain copies of the reports.

Progress: The City provided copies of the Financial Transaction Reports as submitted to the State Controller for all three years of the audit period as part of this audit. It was not clear whether the City had been given an opportunity to review those reports prior to their submittal. Moving forward, the City will no longer be responsible for preparing and submitting these reports for A&MRTS as it no longer operates the transit program.

Status: Partially implemented/no longer relevant.

3. [Work with Fiscal and Compliance Auditor to submit Fiscal and Compliance Audits to the State Controller and HCAOG within 180 days of the end of the fiscal year. If a 90-day extension is required and requested, A&MRTS should maintain the extension request in the files along with the reports.](#)

Discussion: Fiscal and Compliance Audits are important annual financial reports that detail a transit operator's expenditures, revenues and funding sources. It is important that a Fiscal and Compliance Audit is completed for A&MRTS and submitted on time to HCAOG and the State Controller. During the prior audit, the auditor noted the Fiscal and Compliance Audits for FY 2019-20 and FY 2020-21 were submitted well past the deadline, and no audit had been submitted for FY 2021-22 at the time the report was completed. The prior auditor observed that the City had recently hired a Finance Director, which might help with this issue moving forward.

The prior auditor also suggested the City work with its Fiscal Auditor to develop accounting procedures which allow for more accurate financial reporting.

Progress: The TDA fiscal audit for FY 2022/23 was completed nearly a month late. However, the two subsequent audits were completed prior to the March 31 deadline. Moving forward, the City will no longer be responsible for preparing and submitting these audits for A&MRTS as it no longer operates the transit program.

Status: Implemented/no longer relevant.

4. [If the farebox recovery ratio falls below the 10 percent TDA requirement, consider the local fund inclusions and operating cost exclusions for farebox ratio calculation purposes in the Fiscal and Compliance Audit as per AB 149.](#)

Discussion: The prior auditor advised the City to consider what additional revenues it can include as fare revenue and what expenses it can exclude from operating costs (under PUC Section 99268.17 as amended by AB 149) should it be at risk of falling below the 10 percent farebox recovery ratio requirement.

Progress: Despite the penalty waivers available under AB 149, farebox recovery ratios during the prior audit period were higher than the required 10 percent. However, the catalyst for this recommendation was likely that the farebox recovery ratio was trending down, from 32.96 percent in FY 2019/20, to 24.03 percent in FY 2020/21, to 16.98 percent in FY 2021/22. During the current audit period, this downward trend continued, with the TDA fiscal audit's farebox recovery ratio declining from 31.43 percent to 11.11 percent to 7.79 percent across the three years. However, the FY 2023/24 and FY 2024/25 audits did not include the HSU Special Transit Fares in the calculation, the addition of which increased the farebox recovery ratios for those years to well above 10 percent.

Moving forward, the City will no longer be responsible for ensuring A&MRTS meets the 10 percent farebox recovery ratio as it no longer operates the transit program.

Status: Implemented/no longer relevant.

5. [Report transit performance data to the HCAOG SSTAC monthly.](#)

Discussion: The prior auditor recommended timely reporting to the SSTAC by A&MRTS would encourage improved communication between the transit operator and ensure that HCAOG was kept current on A&MRTS performance. As the RTPA, the prior auditor noted it is important that HCAOG be promptly made aware of any issues that arise with the transit operator.

Progress: The City's representative attended SSTAC meetings and reported information regarding the service to the SSTAC and the RTPA on a monthly basis.

Status: Implemented.



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Chapter 5 | Data Reporting Analysis

An important aspect of the Triennial Performance Audit process is assessing how effectively and consistently the transit operator reports performance statistics to local, state, and federal agencies. Often as a condition of receipt of funding, an operator must collect, manage, and report data to different entities. Ensuring such data are consistent can be challenging given the differing definitions employed by different agencies as well as the varying reporting timeframes. This chapter examines the consistency of performance data reported by the City of Arcata internally as well as to outside entities during the audit period.

- **Operating Cost:** Operating cost reported in the TDA fiscal audit was typically lower than that reported elsewhere. Operating cost reported to the State Controller was the highest of the three amounts each year. In FY 2023/24, data reported to the NTD and State Controller were the most consistent, while in FY 2024/25, data reported to the NTD and in the TDA fiscal audit were the most consistent. Variances between the highest and lowest figure reported ranged from 27.2 percent in FY 2024/25 to 44 percent in FY 2022/23.
- **Fare Revenue:** Fare revenue represented in this analysis included both transit fares and HSU Special Transit Fares. Fares were consistently reported in FY 2024/25. Other years exhibited some variances, with the greatest being that reported to the NTD in FY 2023/24.
- **Vehicle Service Hours (VSH):** Vehicle service hours were inconsistently reported in FY 2023/24. In FY 2024/25, data reported to the NTD and in monthly performance reports was consistent, but differed from that reported to the State Controller. VSH data for FY 2022/23 was not reported in the monthly performance reports.
- **Vehicle Service Miles (VSM):** This metric is generally reported consistently with the exceptions of data reported on the monthly performance reports in FY 2023/24 and the data submitted to the State Controller in FY 2024/25. VSM data for FY 2022/23 was not reported in the monthly performance reports.
- **Passengers:** This metric is generally reported consistently, though there was a modest variance in what was reported to the State Controller in FY 2024/25.
- **Full-Time Equivalent (FTE) Employees:** The City reported one FTE for each year of the audit period. No calculation methodology was provided, and it does not appear the TDA definition was used.

Exhibit 5.1 Data Reporting Comparison

Performance Measure	System-Wide		
	FY 2022/23	FY 2023/24	FY 2024/25
Operating Cost (Actual \$)			
<i>TDA fiscal audit</i>	\$778,756	\$1,127,138	\$1,402,321
<i>National Transit Database</i>	\$1,093,730	\$1,473,850	\$1,484,628
<i>State Controller Report</i>	\$1,121,420	\$1,475,829	\$1,783,241
Fare Revenue (Actual \$)			
<i>TDA fiscal audit</i>	\$240,247	\$540,805	\$734,073
<i>National Transit Database</i>	\$230,868	\$406,029	\$734,073
<i>State Controller Report</i>	\$260,604	\$542,653	\$734,073
Vehicle Service Hours (VSH)			
<i>Monthly Performance Reports</i>	<i>Not reported</i>	10,607	9,925
<i>National Transit Database</i>	5,673	8,213	9,925
<i>State Controller Report</i>	5,673	5,673	10,607
Vehicle Service Miles (VSM)			
<i>Monthly Performance Reports</i>	<i>Not reported</i>	157,140	148,640
<i>National Transit Database</i>	76,242	104,860	148,640
<i>State Controller Report</i>	76,242	104,880	157,140
Passengers			
<i>Monthly Performance Reports</i>	63,140	88,241	86,751
<i>National Transit Database</i>	63,140	88,241	86,751
<i>State Controller Report</i>	63,140	88,241	88,218
Full-Time Equivalent Employees			
<i>State Controller Report</i>	1	1	1

Chapter 6 | Performance Analysis

Performance indicators are typically employed to quantify and assess the efficiency of a transit operator's activities. Such indicators provide insight into current operations as well as trend analysis of operator performance. Through a review of indicators, relative performance as well as possible inter-relationships between major functions is revealed.

The Transportation Development Act (TDA) requires recipients of TDA funding to track and report five performance indicators:

- Operating Cost/Passenger,
- Operating Cost/Vehicle Service Hour,
- Passengers/Vehicle Service Hour,
- Passengers/Vehicle Service Mile, and
- Vehicle Service Hours/Employee.

To assess the validity and use of performance indicators, the audit team performed the following activities:

- Assessed internal controls in place for the collection of performance-related information,
- Validated collection methods of key data,
- Calculated performance indicators, and
- Evaluated performance indicators.

The procedures used to calculate TDA-required performance measures for the current triennium were verified and compared with indicators included in similar reports to external entities (i.e., State Controller and Federal Transit Administration).

Operating Cost

The Transportation Development Act requires an operator to track and report transit-related costs reflective of the Uniform System of Accounts and Records developed by the State Controller and the California Department of Transportation. The most common method for ensuring this occurs is through a compliance audit report prepared by an independent auditor in accordance with California Code of Regulations Section 6667¹. The annual independent financial audit should confirm the use of the Uniform System of Accounts and Records. *Operating cost* – as defined by PUC Section 99247(a) – excluded the following during the audit period²:

¹ CCR Section 6667 outlines the minimum tasks which must be performed by an independent auditor in conducting the annual fiscal and compliance audit of the transit operator.

² Given the passage of AB 149, the list of excluded costs will be expanded beginning with FY 2021/22.

- Cost in the depreciation and amortization expense object class adopted by the State Controller pursuant to PUC Section 99243,
- Subsidies for commuter rail services operated under the jurisdiction of the Interstate Commerce Commission,
- Direct costs of providing charter service, and
- Vehicle lease costs.

Vehicle Service Hours and Miles

Vehicle Service Hours (VSH) and *Miles* (VSM) are defined as the time/distance during which a revenue vehicle is available to carry fare-paying passengers, and which includes only those times/miles between the time or scheduled time of the first passenger pickup and the time or scheduled time of the last passenger drop-off during a period of the vehicle's continuous availability.³ For example, demand-response service hours include those hours when a vehicle has dropped off a passenger and is traveling to pick up another passenger, but not those hours when the vehicle is unavailable for service due to driver breaks or lunch. For both demand-response and fixed-route services, service hours will exclude hours of "deadhead" travel to the first scheduled pick-up, and will also exclude hours of "deadhead" travel from the last scheduled drop-off back to the terminal. For fixed-route service, a vehicle is in service from first scheduled stop to last scheduled stop, whether or not passengers board or exit at those points (i.e., subtracting driver lunch and breaks but including scheduled layovers).

Passenger Counts

According to the Transportation Development Act, *total passengers* is equal to the total number of unlinked trips (i.e., those trips that are made by a passenger that involve a single boarding and departure), whether revenue-producing or not.

Employees

Employee hours is defined as the total number of hours (regular or overtime) which all employees have worked, and for which they have been paid a wage or salary. The hours must include transportation system-related hours worked by persons employed in connection with the system (whether or not the person is employed directly by the operator). Full-Time Equivalent (FTE) is calculated by dividing the number of person-hours by 2,000.

Fare Revenue

Fare revenue is defined by California Code of Regulations Section 6611.2 as revenue collected from the farebox plus sales of fare media. Given other revenues may be added to fare revenue for the calculation of the farebox recovery ratio, the *Farebox Recovery* cited within this section is not necessarily consistent with the farebox recovery ratio used for compliance determination in Chapter 4.

³ A vehicle is considered to be in revenue service despite a no-show or late cancellation if the vehicle remains available for passenger use.

TDA Required Indicators

To calculate the TDA indicators for the City of Arcata, the following sources were employed:

- Operating Cost was not independently calculated as part of this audit. Operating Cost data were obtained via the City's audited financial reports and appeared to be consistent with TDA guidelines. In accordance with PUC Section 99247(a), the reported costs excluded depreciation and other allowable expenses.
- Fare Revenue was not independently calculated as part of this audit. Fare revenue data were obtained via TDA fiscal audits reports for each fiscal year covered by this audit. This appears to be consistent with TDA guidelines as well as the uniform system of accounts.
- Vehicle Service Hours (VSH) data were obtained via NTD reports submitted to the FTA for each fiscal year covered by this audit. VSH are based on the time in and out of service. The City's calculation methodology is consistent with PUC guidelines.
- Vehicle Service Miles (VSM) data were obtained via NTD reports submitted to the FTA for each fiscal year covered by this audit. VSM are calculated based on odometer readings. The City's calculation methodology is consistent with PUC guidelines.
- Unlinked trip data were obtained via NTD reports submitted to the FTA for each fiscal year covered by this audit. The City's calculation methodology is consistent with PUC guidelines.
- Full-Time Equivalent (FTE) data were obtained from State Controller Reports for each fiscal year covered by this review. Use of the TDA definition regarding FTE calculation could not be confirmed.

System Performance Trends

System-wide, operating cost experienced a 137.9 percent increase between FY 2019/20 and FY 2024/25, and an 80.1 percent increase during the audit period. Fare revenue (inclusive of HSU fares) decreased through FY 2021/22 before significantly increasing in subsequent years. This resulted in a 205.5 percent increase during the audit period and a net 277.9 percent increase over the six-year period.

Vehicle service hours (VSH) experienced a 75 percent increase during the audit period. Over the six-year period, they experienced a net 77.9 percent increase. Vehicle service miles (VSM) experienced a 95 percent increase during the audit period and a net 93.4 percent increase since FY 2019/20. Ridership increased a net 37.4 percent during the audit period, but decreased a net 29.8 percent over the six-year period.

Cost-related metrics typically provide an indicator of a system's efficiency, while passenger-related metrics offer insight into its productivity. Improvements are characterized by increases in passenger-related metrics and decreases in cost-related metrics. Operating cost/VSH increased by 2.9 percent during the audit period, while operating cost/passenger increased by 31.1 percent. Operating cost/VSM decreased by 7.6 percent. Passengers/VSH declined by 21.5 percent, while passengers/VSM decreased by 29.5 percent, indicating decreased productivity.



Exhibit 6.1 System Performance Indicators

Performance Measure	System-wide					
	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Operating Cost (Actual \$)	\$589,426	\$642,847	\$608,781	\$778,756	\$1,127,138	\$1,402,321
<i>Annual Change</i>		9.1%	-5.3%	27.9%	44.7%	24.4%
Fare Revenue (Actual \$)	\$194,271	\$154,496	\$103,356	\$240,247	\$540,805	\$734,073
<i>Annual Change</i>		-20.5%	-33.1%	132.4%	125.1%	35.7%
Vehicle Service Hours (VSH)	5,580	4,252	5,681	5,673	8,213	9,925
<i>Annual Change</i>		-23.8%	33.6%	-0.1%	44.8%	20.8%
Vehicle Service Miles (VSM)	76,848	56,285	68,599	76,242	104,860	148,640
<i>Annual Change</i>		-26.8%	21.9%	11.1%	37.5%	41.8%
Passengers	123,548	29,649	40,103	63,140	88,241	86,751
<i>Annual Change</i>		-76.0%	35.3%	57.4%	39.8%	-1.7%
Employees	7	5	5	1	1	1
<i>Annual Change</i>		-28.6%	0.0%	-80.0%	0.0%	0.0%
Performance Indicators						
Operating Cost/VSH (Actual \$)	\$105.63	\$151.19	\$107.16	\$137.27	\$137.24	\$141.29
<i>Annual Change</i>		43.1%	-29.1%	28.1%	0.0%	3.0%
Operating Cost/Passenger (Actual \$)	\$4.77	\$21.68	\$15.18	\$12.33	\$12.77	\$16.16
<i>Annual Change</i>		354.5%	-30.0%	-18.8%	3.6%	26.6%
Passengers/VSH	22.14	6.97	7.06	11.13	10.74	8.74
<i>Annual Change</i>		-68.5%	1.2%	57.7%	-3.5%	-18.6%
Passengers/VSM	1.61	0.53	0.58	0.83	0.84	0.58
<i>Annual Change</i>		-67.2%	11.0%	41.7%	1.6%	-30.6%
Farebox Recovery	33.0%	24.0%	17.0%	30.9%	48.0%	52.3%
<i>Annual Change</i>		-27.1%	0.0%	81.7%	55.5%	9.1%
Hours/Employee	797.1	850.4	1,136.2	5,673.0	8,213.0	9,925.0
<i>Annual Change</i>		6.7%	33.6%	399.3%	44.8%	20.8%
TDA Non-Required Indicators						
Operating Cost/VSM	\$7.67	\$11.42	\$8.87	\$10.21	\$10.75	\$9.43
<i>Annual Change</i>		48.9%	-22.3%	15.1%	5.2%	-12.2%
VSM/VSH	13.77	13.24	12.08	13.44	12.77	14.98
<i>Annual Change</i>		-3.9%	-8.8%	11.3%	-5.0%	17.3%
Fare/Passenger	\$1.57	\$5.21	\$2.58	\$3.80	\$6.13	\$8.46
<i>Annual Change</i>		231.4%	0.0%	47.6%	61.1%	38.1%

Sources: FY 2019/20 – FY 2021/22 data taken from prior audit.

FY 2022/23 – FY 2024/25 financial data from TDA fiscal audits.

FY 2022/23 – FY 2024/25 performance data from National Transit Database reports.



Exhibit 6.2 System Ridership

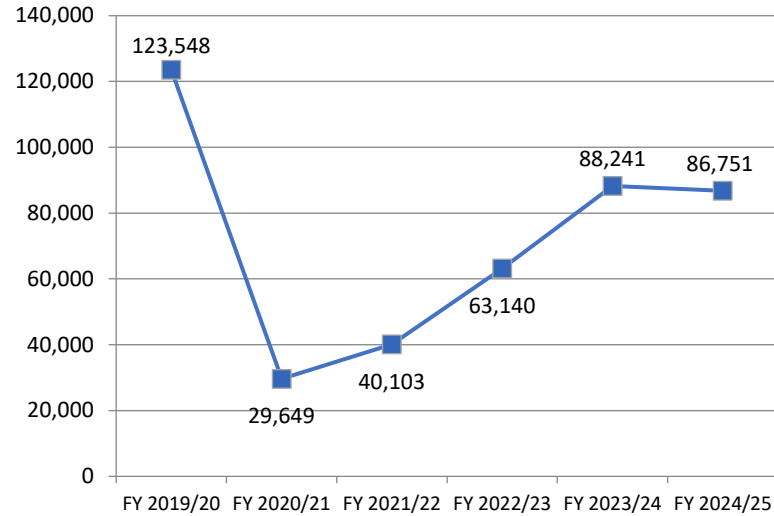


Exhibit 6.3 System Operating Cost/VSH

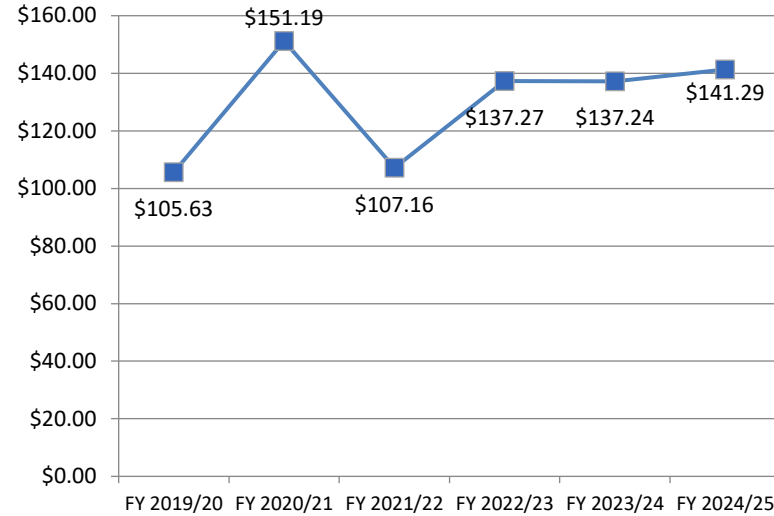


Exhibit 6.4 System Operating Cost/VSM

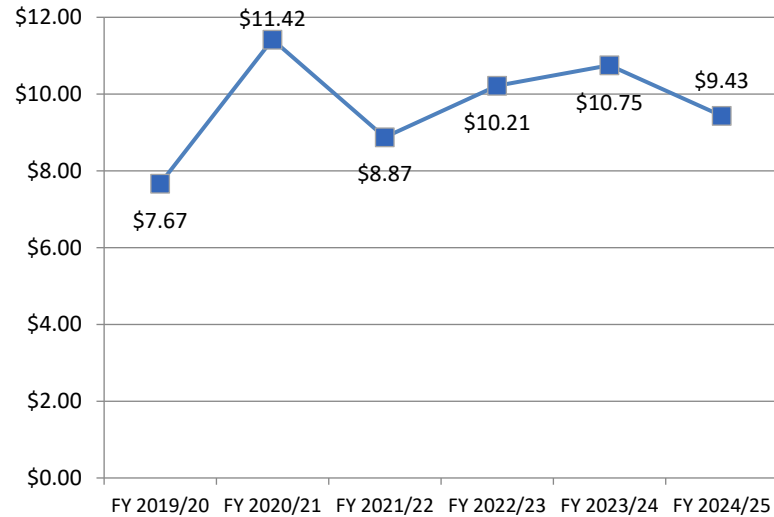


Exhibit 6.5 System VSM/VSH

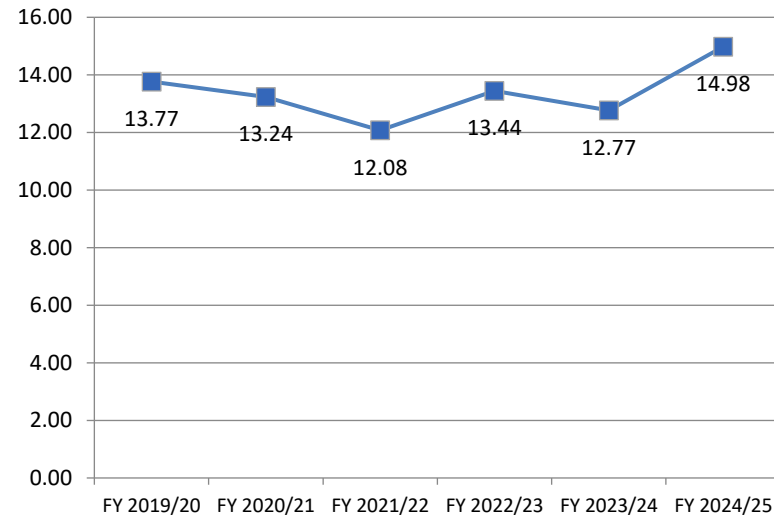




Exhibit 6.6 System Operating Cost/Passenger

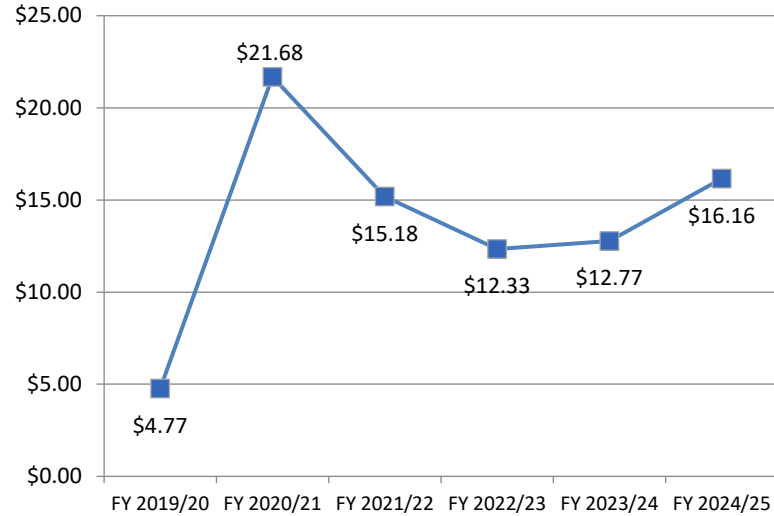


Exhibit 6.7 System Passengers/VSH

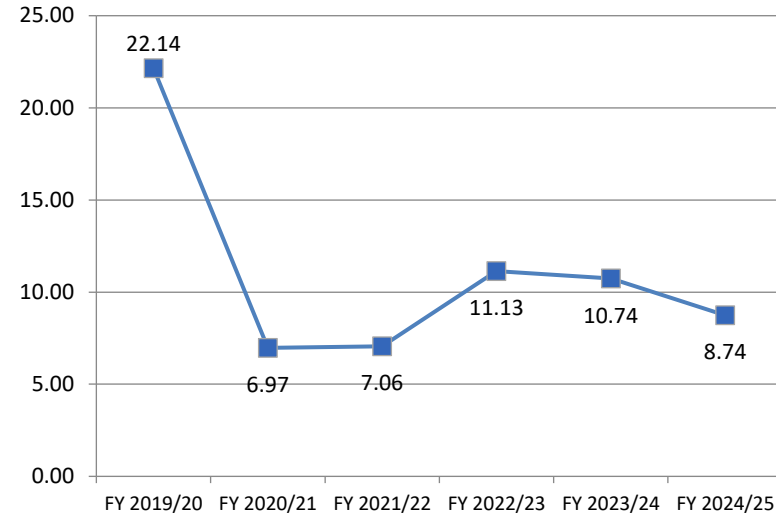


Exhibit 6.8 System Passengers/VSM

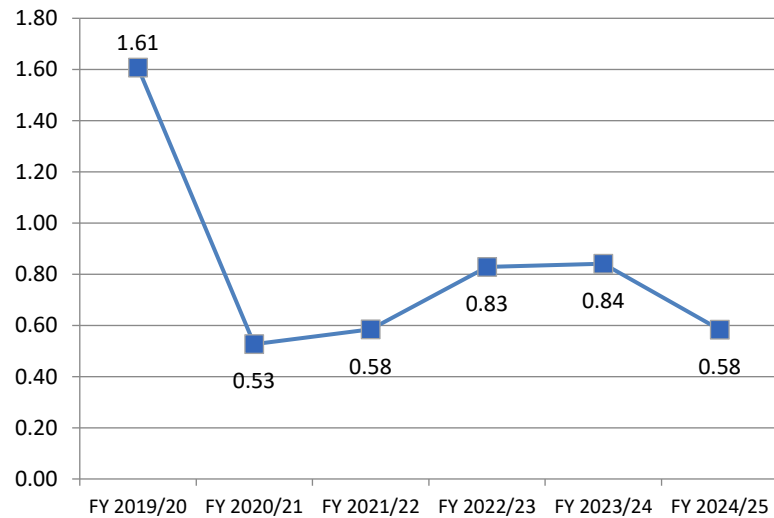


Exhibit 6.9 System VSH/FTE

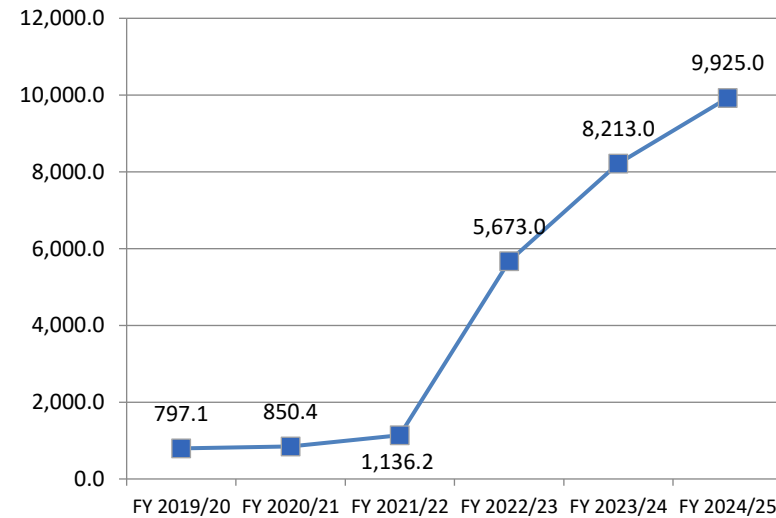




Exhibit 6.10 System Farebox Recovery

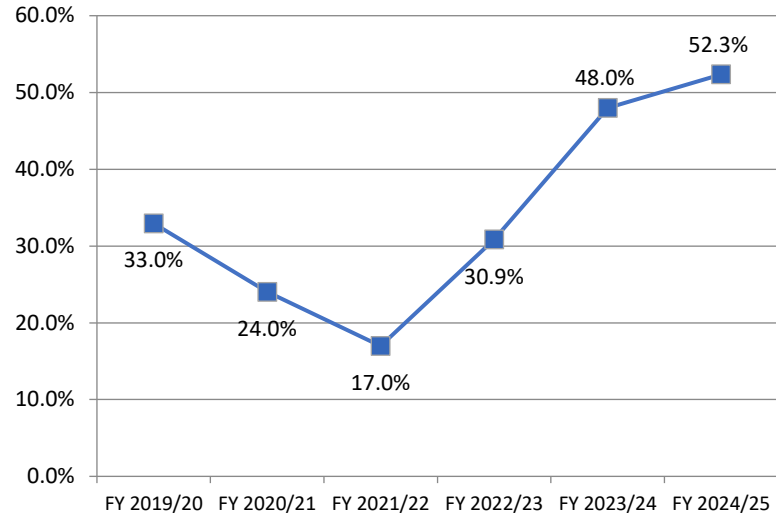
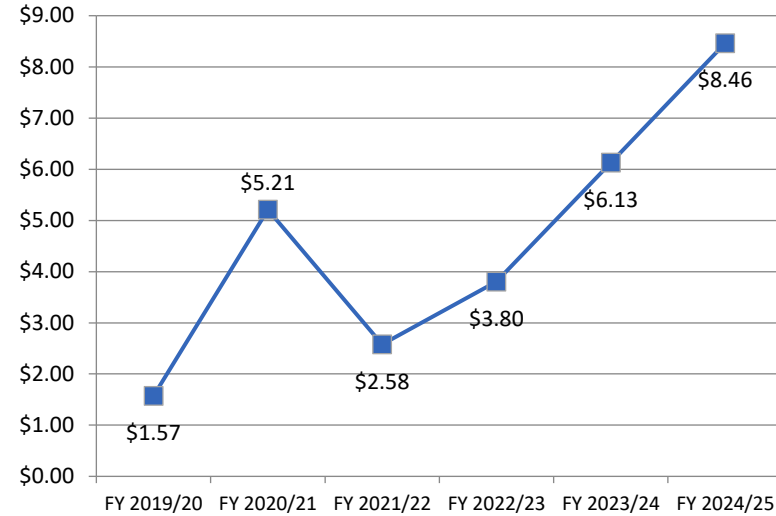


Exhibit 6.11 System Fare/Passenger





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Chapter 7 | Functional Review

A functional review of the City of Arcata’s public transit program is intended to assess the effectiveness and efficiency of the operator. Following a general summary of the City’s transit services, this chapter addresses seven functional areas. The list, taken from Section III of the *Performance Audit Guidebook* published by Caltrans, reflects those transit services provided by the City of Arcata:

- General management and organization;
- Service planning;
- Administration;
- Marketing and public information;
- Scheduling, dispatch, and operations;
- Personnel management and training; and
- Maintenance.



Service Overview

The City of Arcata’s transit program is marketed as the Arcata & Mad River Transit System (A&MRTS). A&MRTS provides fixed-route service along four routes within Arcata. Two core loops (Red and Gold) operate Monday through Friday from 7 a.m. to 10 p.m. while Cal Poly Humboldt is in session and from 7 a.m. to 7 p.m. when the school is not in session. The Orange Loop provides service on Saturdays and holidays from 7 a.m. to 7 p.m. The fourth route, the Green & Gold Loop, serves the Cal Poly campus and surrounding areas.

Exhibit 7.1 A&MRTS Routes

Route	Service days	Service span
Red Loop	Monday – Friday (when Cal Poly is in session)	7:00 a.m. – 10:00 p.m.
	Monday – Friday (when Cal Poly is out of session)	7:00 a.m. – 7:00 p.m.
Gold Loop	Monday – Friday (when Cal Poly is in session)	7:00 a.m. – 10:00 p.m.
	Monday – Friday (when Cal Poly is out of session)	7:00 a.m. – 7:00 p.m.
Orange Loop	Saturdays and Holidays	7:00 a.m. – 7:00 p.m.
Green & Gold Loop	Monday – Friday (while Cal Poly is in session)	6:30 a.m. – 10:30 a.m. 3:30 p.m. – 7:30 p.m.

Dial-A-Ride service is operated by the Humboldt Transit Authority (HTA). The Dial-A-Ride program provides door-to-door service for eligible individuals who are unable to use public transportation due to a disability. The service operates Monday through Friday from 6:00 a.m. to 7:00 p.m. and on Saturday from 7:30 a.m. to 5:00 p.m. Reservations must be scheduled 24 hours in advance.

Exhibit 7.2 Fixed-Route Fare Structure

Fare Type	Cash	Tap-to-Pay
Single ride	\$2.00	-
2-Hour unlimited rides	-	\$2.00
1-Day pass	\$5.00	\$5.00
7-Day Pass	\$15.00	\$15.00
31-Day Pass	\$50.00	\$50.00
	Per Ride Regular	Per Ride Reduced
\$10 Stored Value Pass	\$2.00	\$1.00
\$20 Stored Value Pass	\$2.00	\$1.00

General Management and Organization

During the audit period, A&MRTS was operated and managed by the City of Arcata’s Building and Engineering Department. The Humboldt Transit Authority has provided maintenance services and fleet storage for A&MRTS for many years. Beginning in FY 2024/25, HTA also supplied drivers for A&MRTS services. The City has historically faced challenges in finding drivers, and efforts to increase wages and implement a driver training program have not resulted in a sufficient number of drivers. This ultimately led the City to contract with HTA for drivers.

Subsequent to FY 2024/25 (the final year of the period being audited), the HTA assumed full operation of A&MRTS. As such, the City is no longer considered to be a transit operator after FY 2024/25.

Demand-response service within Arcata was, and continues to be, provided through an agreement with the Humboldt Transit Authority (HTA). Effective July 1, 2022, HTA entered into a contract with City Ambulance of Eureka, Inc. to provide Dial-A-Ride services within Arcata, Eureka, and unincorporated areas of Humboldt County. This agreement remained in effect through fiscal year 2024 and was subsequently extended through June 30, 2025.

On March 21, 2025, the City of Arcata and HTA executed a Memorandum of Understanding (MOU) for the transfer of ownership and management of A&MRTS. Effective July 1, 2025, the City transferred ownership of A&MRTS vehicles, along with the allocation of local, state, and federal transit funding, to HTA.

The City Council has been supportive of the transit program, particularly the transition of operations to the HTA. A councilmember from Arcata serves on the HTA Board, and has served as Chair in prior years. Discussions regarding the transition have occurred for over five years, with more focused efforts in the past three years. The timing of the transition was partially determined by CalTIP and insurance premiums, which had already been paid.

Following the COVID-19 pandemic, an additional route, the Green & Gold Route, was implemented at the request of Cal Poly Humboldt. Ridership and performance data for this route were tracked separately, and service frequency increased to meet demand. There have been other calls for increased service frequency, but funding has been a challenge.

While operating A&MRTS, Arcata city management primarily monitored transit program performance by tracking ridership, which served as its key performance indicator. Monthly ridership data, including the number of trips, was maintained in a spreadsheet and incorporated usage funded through sources such as Cal Poly and general fares or ticket revenues.

Once HTA began providing drivers, all operational data was provided by the HTA and integrated into internal tracking spreadsheets for analysis. The City also participated in HTA Board meetings and attended on-call meetings as needed to address operational issues.

Service Planning

The 2023 Humboldt County Transit Development Plan completed by HCAOG included a five-year transit plan for transit in Humboldt County. This included several recommendations for A&MRTS, including introduction of the Green & Gold Loop, extension of operating hours to 10 p.m., introduction of Sunday service, and implementation of a city-wide microtransit program. This document continues to guide transit development efforts.

From the rider's perspective, service has remained largely unchanged throughout the consolidation into HTA, with the same routes, vehicles, and branding, aside from the gradual introduction of Ride Humboldt branding. HTA has maintained the unique branding for each of its component systems (including A&MRTS) to enhance the ease of recognition by the public. Public feedback during the transition was minimal. There were some concerns about the City retaining a voice in the service, but these have been largely alleviated since the City maintains representation on the Humboldt Transit Authority Board. This enables the City to have ongoing input and ensures its interests are considered in planning decisions.

The City had started its transition to zero-emission vehicles with the purchase of two electric vehicles and charging infrastructure through a fully funded grant. The City was very proud of the procurement and its program to provide bus tickets to residents in low-income housing through an Affordable Housing & Sustainable Communities (AHSC) grant. All vehicles and pool cars for transit drivers were transferred to HTA at the end of the audit period.

Administration

During the audit period, Arcata's City Engineer was primarily responsible for preparing the transit budget. Much of the budget was fixed in some way, including HTA contract costs, LTF and STA allocations, and LCTOP and State of Good Repair revenues. The City identified costs for the following year for City staff and Dial-A-Ride contributions to HTA, then negotiated with Cal Poly for the balance. At the end of the audit period, Cal Poly was fully funding operation of the Green & Gold Loop. The City never had to reduce its operations, but occasionally had to reduce its capital expenditures.

Marketing and Public Information

During the audit period, the City marketed the A&MRTS service by providing service information through brochures and its website. Digital resources included Transit App, Instagram, and Facebook. In some years, the City secured LCTOP funds to provide free ride periods during the summer months, which were heavily promoted. Other marketing activities invited riders to Ride with a Council Member or Cal Poly Staff.

Surveys are typically conducted by the Humboldt County Association of Governments, most recently in late 2022 as part of the Humboldt County Transit Development Plan. These efforts resulted in the collection of 183 surveys from Humboldt County residents (of which 29 percent lived in Arcata) and 155 surveys from riders across all transit services (of which 27 percent were completed by A&MRTS riders).

Beginning the last year of the audit period, operation of the A&MRTS service was contracted to Humboldt Transit Authority. Since the City of Arcata is no longer operating the service, the following sections reflect the scheduling, dispatch, operations, personnel management, and maintenance functions provided by HTA.

[Scheduling, Dispatch, and Operations](#)

HTA's transit program is currently operated in-house with approximately 50 full-time drivers (across all of its services) represented by the American Federation of State, County and Municipal Employees (AFSCME) Local #1684. The agency would also prefer to maintain a pool of approximately seven part-time drivers to provide coverage for open shifts not filled by full-time staff; however, the program currently employs only two part-time drivers. Part-time drivers choose to work a part-time shift and are typically used to cover assignments that cannot be covered by full-time drivers.

Drivers bid on shifts three times a year based on seniority. Vehicle assignments are made based on route requirements and vehicle size, and vehicles are rotated. All drivers are cross-trained and qualified to operate all routes within the system.

Planned absences are typically covered through extra board drivers who bid on vacation coverage shifts in advance. For unplanned absences, drivers are required to notify operations at least one hour prior to their scheduled shift. In these cases, the Supervisor contacts available drivers to arrange coverage as needed.

HTA uses GFI fareboxes along with credit/debit card tap-and-pay readers and the Token Transit mobile app for fare collection. Farebox vaults are emptied nightly by shop staff when buses return for fueling, and revenues are transported to a secure vault building where they are counted by two to three Finance Department employees in a monitored, access-controlled area with cameras and key fob entry. Funds are stored in the vault with access limited to designated Finance staff and select senior and technical personnel, and are verified through reconciliation of GFI system reports and Brinks armored car records. Deposits are then processed through weekly Brinks pickups. Token Transit and credit card payments are deposited directly into HTA's accounts.

[Personnel Management and Training](#)

A sufficient number of drivers is being recruited to meet HTA's needs. Open positions are advertised on NeoGov, GovernmentJobs, and social media. Word-of-mouth is also a successful means for recruitment. Advertisements on the vehicles have not been as effective as hoped. HTA provides comprehensive training to all recruits.

While there is no formal incentive program, management motivates employees primarily through improved scheduling and work-life balance initiatives. Efforts include restructuring shifts to reduce split shifts, providing two consecutive days off, and gradually transitioning toward more stable and desirable

schedules. HTA implemented a four-day work week as an additional incentive to improve employee satisfaction and retention. This is still in the process of being implemented as more drivers are needed to make this a reality. Wages were increased by 17 percent per hour to ensure drivers maintain the same total wages across four days. However, in the interim while the four-day work week is being implemented, drivers benefit from the higher wages across five work days.

HTA has experienced high turnover among drivers, driven by a combination of personal reasons, more competitive wages offered by other employers, and overall market competition for qualified operators. It is too soon to know what impact the above changes will ultimately have on driver turnover. All HTA employees received performance evaluations twice a year.

The Safety and ADA Coordinator is responsible for training and holds a California training certification. HTA does not currently have an in-house DMV tester; however, given evolving DMV standards, the agency may wish to consider establishing an internal testing function. The contractor's safety program is also overseen by the Safety and ADA Coordinator to ensure compliance and consistency. In addition, four safety meetings are held annually to support ongoing training and reinforce safety practices across operations.

HTA utilizes a progressive discipline policy, which is detailed in its MOU. HTA employees are eligible for benefits including medical insurance, dental insurance and vision insurance. Benefits are communicated during the onboarding process and via notices from Human Resources.

Maintenance

HTA has been providing maintenance and vehicle storage for A&MRTS for several years. The agency uses RTA software to manage its maintenance program and reports satisfaction with the system. Preventive maintenance schedules are aligned with manufacturer-recommended intervals, and compliance with these schedules can be readily monitored and assessed through existing tracking processes.

Repairs covered under manufacturer warranty are generally identified effectively. However, the timeliness of warranty work performed by vendors or manufacturers is inconsistent and varies on a case-by-case basis, which is a common issue among transit operators.

HTA has experienced challenges with certain vendors, as well as concerns regarding parts pricing. In some instances, manufacturers do not dispatch technicians to the region, requiring HTA staff to complete warranty-related work in-house. For major body repairs, vehicles must be towed to Santa Rosa for service, which can further delay turnaround times and impact fleet availability.

HTA reports that its maintenance facility is currently insufficient to meet operational needs. The number of maintenance bays and lifts is inadequate for the size of the fleet, and there is also limited office space for administrative staff and insufficient storage for both active and archived records. Access to the parts room is limited to shop personnel. Baseline inventory levels are set through the RTA software.

Key challenges in maintaining the transit fleet include funding limitations and facility layout issues, particularly related to workflow and lot circulation between fueling, washing, and parking areas. Parking capacity is a significant concern, with planned fleet growth exceeding available space. HTA has identified potential facility expansion needs, including additional maintenance bays and improved site circulation,

but implementation is dependent on securing grant funding. The agency also notes difficulty in navigating and applying for federal grant opportunities directly, which further limits expansion efforts. It anticipates needing \$60 to 70 million for the desired facility improvements, but would first need funding for a 30 percent design to be completed in order to qualify for this amount of funding.

HTA has several processes in place to ensure unsafe vehicles are not placed into service. The maintenance staff and dispatch communicate frequently regarding vehicle status during morning meetings.

Beginning on July 1, 2025, ownership and management of the A&MRTS service was transferred to HTA. This included a transfer of ownership of all A&MRTS assets, including its vehicle fleet. Exhibit 7.3 details the A&MRTS transit fleet.

Exhibit 7.3 A&MRTS Fleet

Vehicle #	Model Year	Make/Model	Mileage	Vehicle Type
922	2009	Gillig 35' Low Floor	375,000	Bus
923	2014	Gillig 35' Low Floor	375,000	Bus
924	2014	Gillig 35' Low Floor	375,000	Bus
925	2022	Gillig 35' Low Floor	35,000	Bus
926	2022	Gillig BEV	35,000	Bus
927	2010	Ford BEV	20,000	Bus
932	2010	Ford Glaval	20,000	Small Cutaway Bus
934	2010	Ford Glaval	20,000	Small Cutaway Bus

Chapter 8 | Findings and Recommendations

Conclusions

With three exceptions, the City of Arcata is found to be in compliance with the Transportation Development Act (TDA).

Findings

Based on discussions with City staff, analysis of program performance, and an audit of program compliance and function, the audit team presents three findings related to compliance with the TDA.

- Transit Operator State Controller Reports were not submitted prior to the January 31 deadline during the last two years of the audit period. The submittal date for the FY 2022/23 report could not be verified, as no cover page was provided. No recommendation is offered as the City is no longer responsible for submitting these reports, and there is no remedial action to be taken.
- The TDA fiscal audit for FY 2022/23 was completed nearly one month after the March 31 deadline. Subsequent audits were completed by the extended deadline. No recommendation is offered as the City is no longer responsible for submitting these audits, and there is no remedial action to be taken.
- Use of the TDA definition of Full-time Equivalent (FTE) Employee could not be confirmed, as no calculation methodology was provided. However, given one FTE was reported each year, it does not appear that the TDA definition was employed. No recommendation is offered as the City is no longer responsible for submitting the Transit Operator reports to the State Controller, and there is no remedial action to be taken.

Program Recommendations

Triennial performance audit recommendations are intended to assist in bringing the operator into compliance with the requirements and standards of the TDA as well as address non-compliance-related issues, challenges, or opportunities observed during the site visit and functional review.

No recommendations are presented for the City of Arcata, as it no longer operates the A&MRTS transit program. Timely submittal of future Transit Operator State Controller Reports and use of the TDA definition of Full-time Equivalent (FTE) Employee are the responsibility of the Humboldt Transit Authority beginning with FY 2025/26. These are already compliance requirements for HTA under the Transportation Development Act.



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