

City of Fortuna



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



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Chapter 1 | Executive Summary

In 2026, 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 Fortuna 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 of Fortuna’s public transit program for the period:

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

The City of Fortuna’s transit program, marketed as Fortuna Transit, provides curb-to-curb shared rides for individuals aged 50 and older and for persons with disabilities traveling within city limits. Individuals under age 50 may qualify with a physician’s note. Medical trips to Eureka are available on Tuesdays for appointments scheduled between 10:00 a.m. and 2:00 p.m. Fortuna Transit operates Monday through Friday from 8:30 a.m. to 4:00 p.m. using two vehicles.

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 no compliance findings.

Status of Prior Recommendations

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

1. Fortuna Transit should develop and submit to the California Air Resource Board (CARB) a Zero-Emission Vehicle Roll Out Plan in compliance with Cal. Code Regs. Tit. 13, § 2023.1.
Status: No longer relevant.

2. If farebox ratio falls below the 10 percent TDA requirement, consider the following for farebox calculation purposes in the Fiscal and Compliance Audit: account for Measure E funds as local support; account for any federal grants received as local funds, per AB 149 (2021); and exclusion of costs from the definition of “operating costs” per AB 149 (2021) which amended PUC Section 99268.17.
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 no findings related to TDA compliance for the City of Fortuna.

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. The following recommendations are presented for the City of Fortuna.

Exhibit 1.1 Summary of Audit Recommendations

Recommendations	Importance	Timeline
1 Ensure vehicle service miles are being reported to the State Controller, not total vehicle miles.	High	FY 2026/27
2 Consider creating a dedicated Transit Supervisor position to provide greater oversight of the transit program.	High	FY 2026/27
3 Consider increasing part-time driver wages to improve recruitment and retention.	High	FY 2026/27
4 Continue efforts to meet the 10 percent farebox recovery ratio requirement (as needed).	Medium	Ongoing



Chapter 2 | Audit Scope and Methodology

The Triennial Performance Audit (TPA) of the City of Fortuna’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 2026, the Humboldt County Association of Governments (HCAOG) selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the transit operator 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 Fortuna 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 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, and
 - State Controller Reports.
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 Fortuna included a 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;
- Fleet inventory;
- Preventive maintenance schedules and forms;
- Accident/road call logs; and
- Organizational chart.



The methodology for this audit included a site visit with City representatives on March 10, 2026, at Fortuna City Hall (621 11th Street, Fortuna). The audit team met with Kaylyn Stainbrook (Parks & Recreation Director), Phyllis (Dispatcher), and Aaron Felmler (Finance Director); toured the operator's operations facility; and reviewed materials germane to the triennial audit.

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 Fortuna’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 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, annual operating budgets, year-end performance reports, and other compliance-related documentation.

No compliance items were identified for the City of Fortuna.

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	In compliance	FY 2022/23: November 27, 2023 FY 2023/24: January 27, 2025 FY 2024/25: November 24, 2025
Fiscal and compliance audits submitted within 180 days following the end of the fiscal year (or with up to 90-day extension).	PUC 99245	In compliance	FY 2022/23: December 28, 2023 FY 2023/24: November 12, 2024 FY 2024/25: March 18, 2026
Operator’s terminal rated as satisfactory by CHP within the 13 months prior to each TDA claim.	PUC 99251 B	Not applicable	The City is not required by the State to do an annual CHP inspection due to the size of the vehicles operated.
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	Fortuna Transit 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 does not receive funding under Article 8(c).
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	The City does not receive funding under Article 8(c).
The operator’s definitions of performance measures are consistent with the Public Utilities Code Section 99247.	PUC 99247	In compliance	
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: +13.84% FY 2023/24: +8.08% FY 2024/25: +2.94%



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	
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	In compliance	FY 2022/23: 6.09% FY 2023/24: 7.03% FY 2024/25: 11.42% <i>Source: TDA fiscal audits. Penalties for non-compliance with the farebox recovery ratio requirement were waived during the audit period under AB 149 and SB 125.</i>
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	The City does not receive funding under Article 4.5.
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)	Not applicable	The City does not receive federal funding or claim State Transit Assistance funding.



Compliance Element	Reference	Compliance	Comments
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	Not applicable	The City does not claim State Transit Assistance funding.
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	
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	The FY 2023/24 TDA fiscal audit identified an excess claim that the City was not eligible to receive. This amount was deducted from the FY 2025/26 claim. The FY 2024/25 TDA fiscal audit also identified an excess claim. This amount should be deducted from the FY 2026/27 claim (for review during the next audit period).



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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 Fortuna 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, Inc. for the three fiscal years ending June 30, 2022 – included two recommendations:

1. [Fortuna Transit should develop and submit to the California Air Resources Board \(CARB\) a Zero-Emission Vehicle Roll Out Plan in compliance with Cal. Code Regs. Tit. 13, § 20233.1.](#)

Discussion: According to the Innovative Clean Transit Rule (ICT) adopted in 2018 by CARB, all transit vehicles must gradually transition to a 100 percent Zero Emission vehicle (ZEV) fleet. This applies to all transit agencies operating vehicles greater than 14,000 pounds Gross Vehicle Weight Rating (GVWR). Fortuna Transit has one vehicle which weighs over 14,000 pounds.

With only one vehicle, subject to the ICT rule, the Rollout Plan can be very simple. The plan should show when the 1 vehicle (#231) will be transitioned to zero-emission and include an adopting resolution from the Fortuna City Council. According to ICT, for small transit agencies, 25 percent of new applicable bus purchases must be zero-emission in 2026. As 25 percent of 1 is 0.25, this will be rounded to 0 for Fortuna Transit. Therefore, Fortuna Transit will not be required to replace the heavier bus with a zero-emission vehicle until 2029 or when the vehicle has reached the end of its useful life (if later than 2029), when 100 percent of applicable vehicle new purchases must be zero-emission vehicles.

The prior auditor recommended the City prepare a simple Zero-Emission Vehicle Roll Out Plan to CARB by July 2023 which demonstrates when the vehicle weighing over 14,000 pounds will be replaced and how that vehicle will be fueled/charged. This plan would need to be adopted by the Fortuna City Council by resolution.

Progress: While the oldest vehicle in the City’s fleet is subject to the ICT rule, the City does not intend to replace it with a comparable vehicle. Instead, it intends to transition to vans and/or minibuses that are not subject to the ICT rule. Since the ICT rule pertains only to the purchase of new vehicles that meet the GVWR threshold, and the City does not intend to purchase any such eligible vehicles, this recommendation is no longer applicable.

Status: No longer relevant.



2. If farebox ratio falls below the 10 percent TDA requirement, consider the following for farebox calculation purposes in the Fiscal and Compliance Audit: account for Measure E funds as local support; account for any federal grants received as local funds, per AB 149 (2021); and exclusion of costs from the definition of “operating costs” per AB 149 (2021) which amended PUC Section 99268.17.

Discussion: During the prior audit period, Fortuna Transit services did not meet the TDA required farebox ratio of 10 percent for rural transit systems for any year. While there was no penalty for not meeting this requirement due to suspension of the requirement by the state during COVID, the prior auditor recommended the City consider the following for farebox calculation purposes in the Fiscal and Compliance Audit:

- Account for Measure E funds as local support.
- Account for any federal grants received as local funds, per AB 149.
- Exclusion of costs from the definition of “operating costs” per PUC Section 99268.17 as amended by AB 149.

Progress: During the current audit period, the City failed to meet the required 10 percent farebox recovery ratio during FY 2022/23 and FY 2023/24. In FY 2024/25, it did exceed the required threshold with a farebox recovery ratio of 11.42 percent, due in part to bulk ticket purchases.

While this recommendation is considered implemented, it is unclear as to whether the City will be able to maintain this compliance across future years. Should this additional revenue source be insufficient to consistently meet or exceed a farebox recovery ratio of 10 percent, the City will still need to identify additional eligible revenues if penalties for not meeting the farebox recovery ratio requirement are reinstated.

Status: Implemented.



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 Fortuna internally as well as to outside entities during the audit period.

With very modest variances, financial data was reported consistently between the TDA fiscal audits and the Transit Operator Financial Transaction Reports submitted to the State Controller’s Office. Likewise, performance data reported internally and to the State Controller’s Office also exhibited only modest variances. The metric with the greatest variance was vehicle service miles, which was reported as higher on the State Controller Reports than in the internal documentation. In this case, it appears the City is reporting total vehicle miles to the State Controller rather than reporting vehicle service miles.

Exhibit 5.1 Data Reporting Comparison

Performance Measure	System-Wide		
	FY 2021/22	FY 2022/23	FY 2023/24
Operating Cost (Actual \$)			
<i>TDA fiscal audit</i>	\$256,672	\$231,209	\$218,261
<i>State Controller Report</i>	\$254,360	\$231,210	\$218,259
Fare Revenue (Actual \$)			
<i>TDA fiscal audit</i>	\$15,628	\$16,257	\$24,949
<i>State Controller Report</i>	\$15,628	\$16,257	\$24,929
Vehicle Service Hours (VSH)			
<i>Monthly Performance Reports</i>	2,902	3,113	2,986
<i>State Controller Report</i>	2,943	3,112	2,977
Vehicle Service Miles (VSM)			
<i>Monthly Performance Reports</i>	24,104	27,465	27,462
<i>State Controller Report</i>	26,059	29,275	29,495
Passengers			
<i>Monthly Performance Reports</i>	8,650	10,526	9,904
<i>State Controller Report</i>	8,650	10,526	9,904
Full-Time Equivalent Employees			
<i>State Controller Report</i>	3	3	3



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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 Fortuna, 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 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 State Controller Reports 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 monthly performance reports 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 State Controller Reports 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 the operator for each fiscal year covered by this review. Use of the TDA definition regarding FTE calculation was confirmed.

System Performance Trends

System-wide, operating cost experienced a net 14.2 percent decrease during the audit period and a net 30.5 percent increase across the last six years. Fare revenue increased during the six-year period, with the greatest increase (53.3 percent) occurring in FY 2024/25. This resulted in a net 59.5 percent increase during the audit period, and a 63.4 percent increase across the six-year period.

Vehicle service hours (VSH) experienced a net 20.5 percent increase during the six-year period and a net 1.2 percent increase during the audit period. Vehicle service miles (VSM) increased 13.9 percent during the audit period and 27.1 percent over the six-year period. Ridership increased every year with the exceptions of decreases in FY 2020/21 and FY 2024/25. This led to a 14.5 percent net increase during the audit period, and a 22 percent net increase across 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. Cost-related metrics improved during the audit period. Operating cost per passenger was impacted the most, given the 14.5 percent increase in ridership and a 14.2 percent decrease in operating costs during the audit period. Passenger-related metrics also improved during the audit period, with passengers per VSH increasing by 13.2 percent and passengers per VSM increasing by 1.2 percent.



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 \$)	\$167,294	\$181,261	\$202,259	\$254,360	\$231,210	\$218,259
Annual Change		8.3%	11.6%	25.8%	-9.1%	-5.6%
Fare Revenue (Actual \$)	\$15,261	\$11,689	\$12,943	\$15,628	\$16,257	\$24,929
Annual Change		-23.4%	10.7%	20.7%	4.0%	53.3%
Vehicle Service Hours (VSH)	2,470	2,220	2,671	2,943	3,112	2,977
Annual Change		-10.1%	20.3%	10.2%	5.7%	-4.3%
Vehicle Service Miles (VSM)	21,608	20,834	22,710	24,104	27,465	27,462
Annual Change		-3.6%	9.0%	6.1%	13.9%	0.0%
Passengers	8,118	7,444	7,713	8,650	10,526	9,904
Annual Change		-8.3%	3.6%	12.1%	21.7%	-5.9%
Employees	3	3	3	3	3	3
Annual Change		0.0%	0.0%	0.0%	0.0%	0.0%
Performance Indicators						
Operating Cost/VSH (Actual \$)	\$67.73	\$81.65	\$75.72	\$86.43	\$74.30	\$73.32
Annual Change		20.6%	-7.3%	14.1%	-14.0%	-1.3%
Operating Cost/Passenger (Actual \$)	\$20.61	\$24.35	\$26.22	\$29.41	\$21.97	\$22.04
Annual Change		18.2%	7.7%	12.1%	-25.3%	0.3%
Passengers/VSH	3.29	3.35	2.89	2.94	3.38	3.33
Annual Change		2.0%	-13.9%	1.8%	15.1%	-1.6%
Passengers/VSM	0.38	0.36	0.34	0.36	0.38	0.36
Annual Change		-4.9%	-4.9%	5.7%	6.8%	-5.9%
Farebox Recovery	9.1%	6.4%	6.4%	6.1%	7.0%	11.4%
Annual Change		-29.3%	0.0%	-4.0%	14.4%	62.4%
Hours/Employee	823.3	740.0	890.3	981.0	1,037.3	992.3
Annual Change		-10.1%	20.3%	10.2%	5.7%	-4.3%
TDA Non-Required Indicators						
Operating Cost/VSM	\$7.74	\$8.70	\$8.91	\$10.55	\$8.42	\$7.95
Annual Change		12.4%	2.4%	18.5%	-20.2%	-5.6%
VSM/VSH	8.75	9.38	8.50	8.19	8.83	9.22
Annual Change		7.3%	-9.4%	-3.7%	7.8%	4.5%
Fare/Passenger	\$1.88	\$1.57	\$1.68	\$1.81	\$1.54	\$2.52
Annual Change		-16.5%	0.0%	7.7%	-14.5%	63.0%

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 State Controller reports.
 FY 2022/23 – FY 2024/25 vehicle service miles from internal monthly reports.



Exhibit 6.2 System Ridership

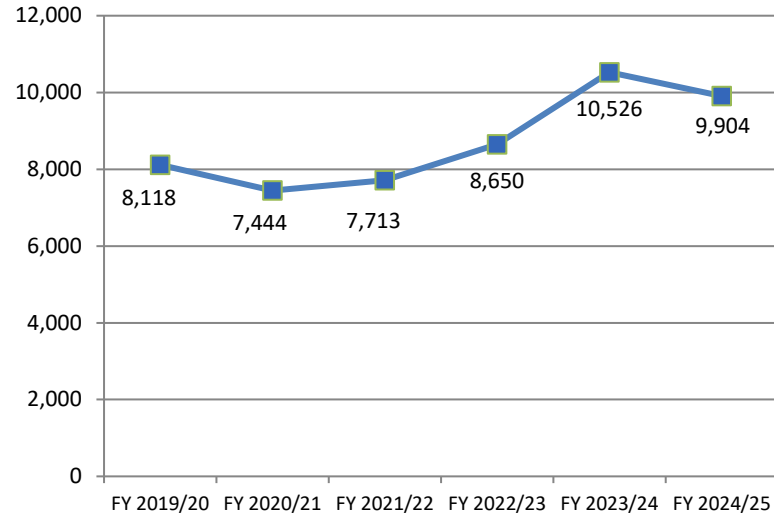


Exhibit 6.3 System Operating Cost/VSH

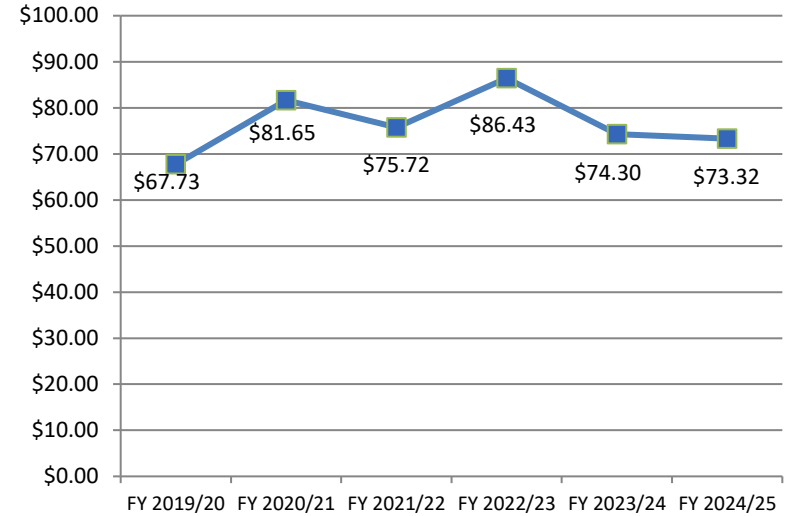


Exhibit 6.4 System Operating Cost/VSM

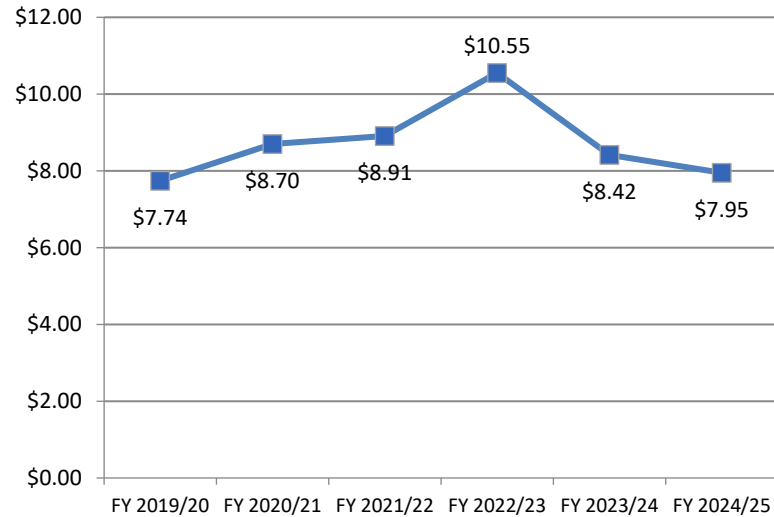


Exhibit 6.5 System VSM/VSH

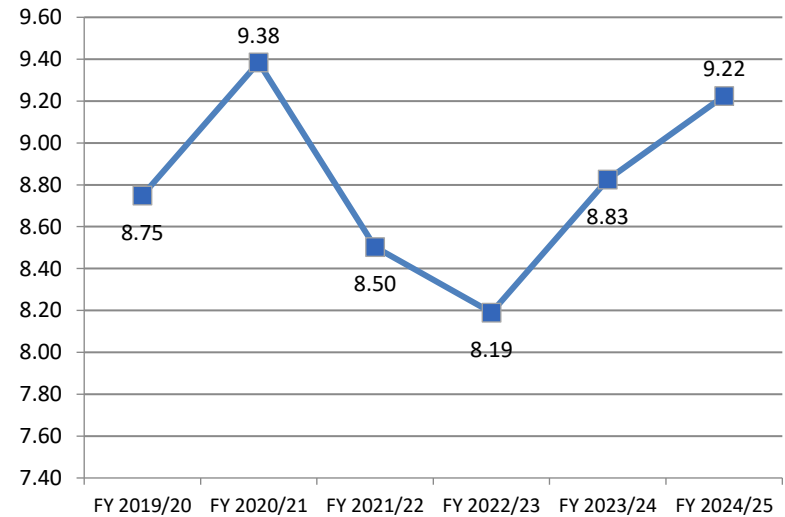




Exhibit 6.6 System Operating Cost/Passenger

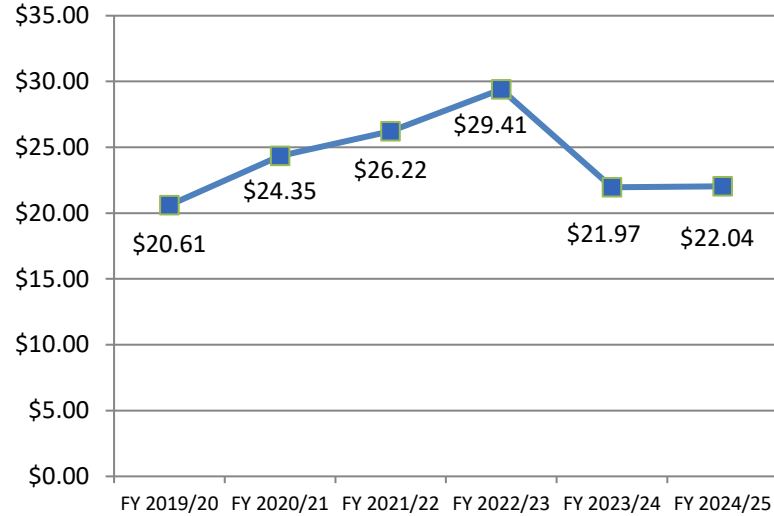


Exhibit 6.7 System Passengers/VSH

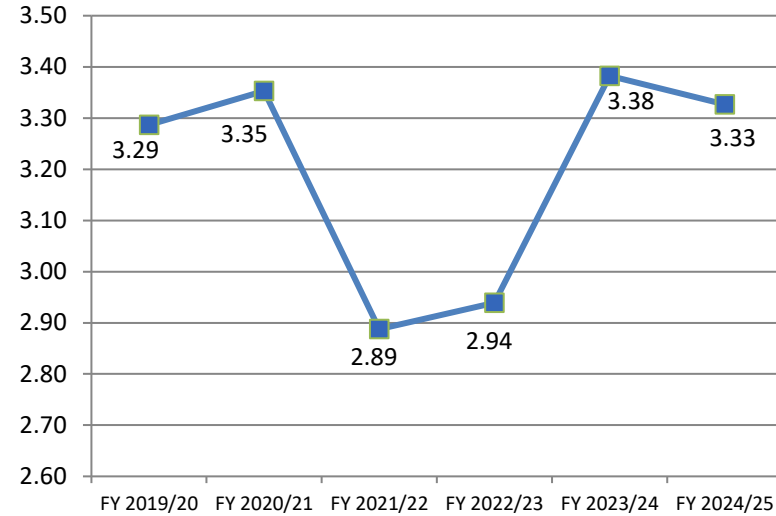


Exhibit 6.8 System Passengers/VSM

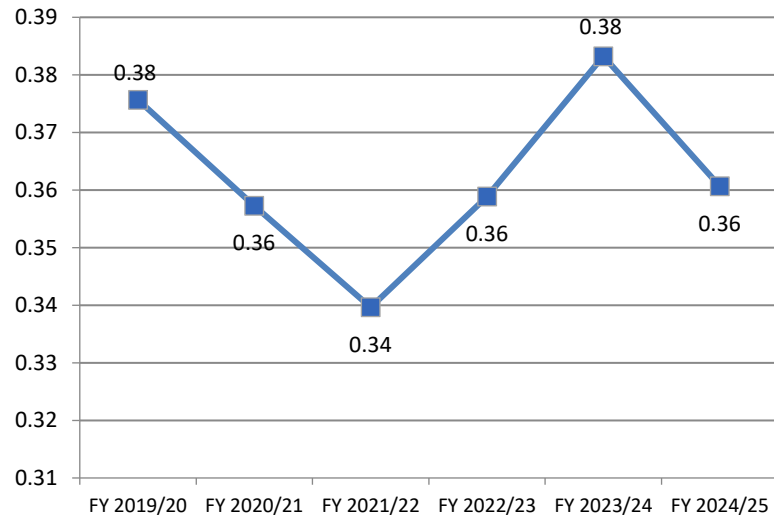


Exhibit 6.9 System VSH/FTE

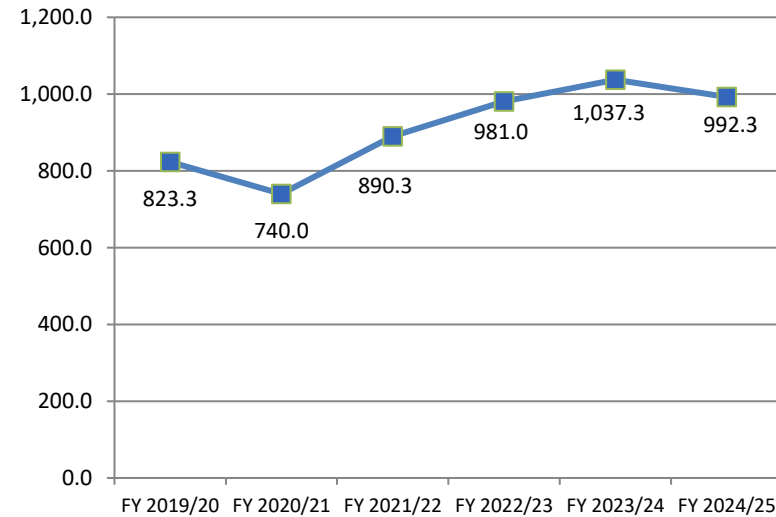




Exhibit 6.10 System Farebox Recovery

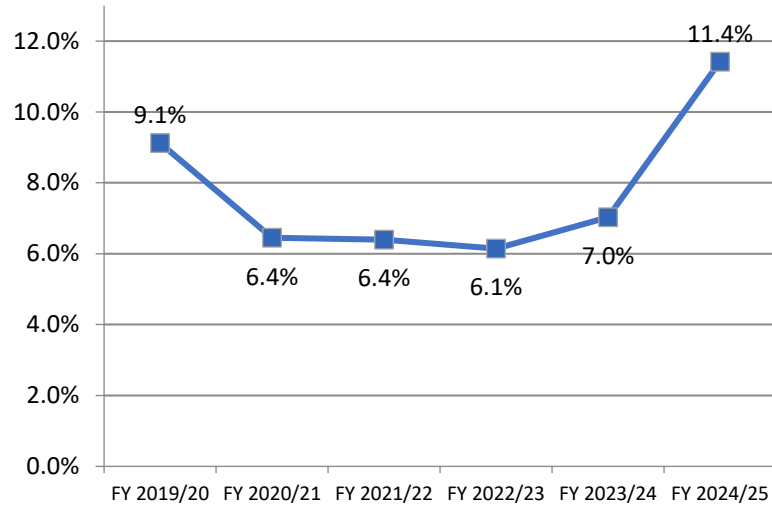
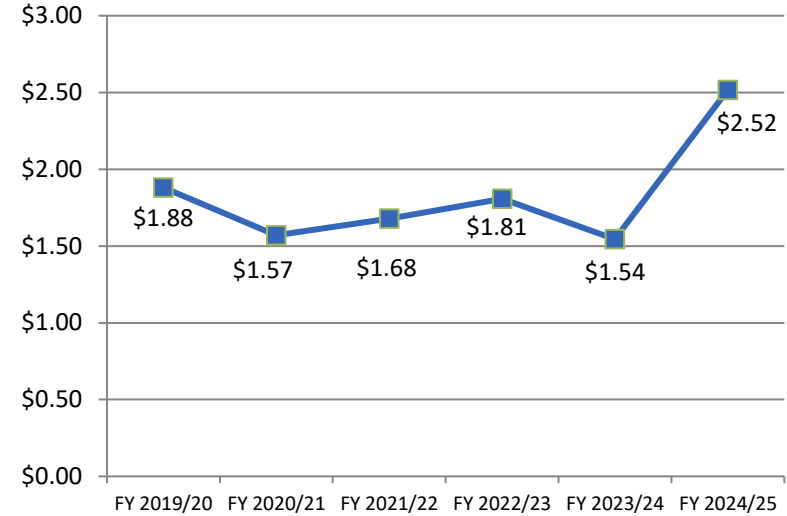


Exhibit 6.11 System Fare/Passenger





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Chapter 7 | Functional Review

A functional review of the City of Fortuna’s public transit program is intended to assess the effectiveness and efficiency of the operator. Following a general summary of the City of Fortuna’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 Fortuna:

- 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 Fortuna’s transit program, operating as Fortuna Transit, provides curb-to-curb shared rides for individuals aged 50 and older and for persons with disabilities traveling within city limits. Individuals under age 50 may qualify with a physician’s note. Medical trips to Eureka are available on Tuesdays for appointments scheduled between 10:00 a.m. and 2:00 p.m. Fortuna Transit operates Monday through Friday from 8:30 a.m. to 4:00 p.m.

Exhibit 7.1 Fortuna Transit Fare Structure

Fare Category	Cost
One-way	\$3.00
Punch card (15 trips)	\$30.00

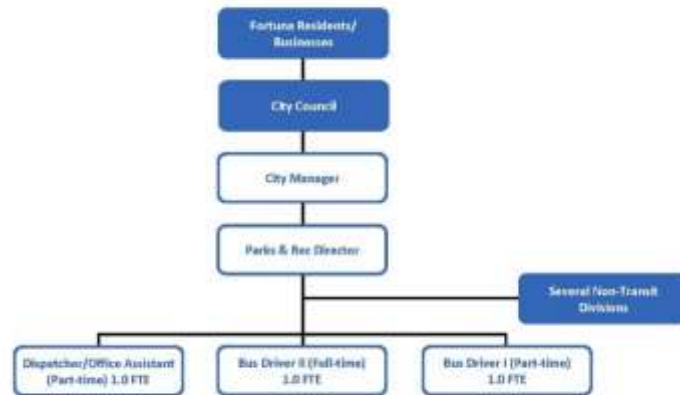
General Management and Organization

The City of Fortuna’s public transit program is administered within the City’s Parks and Recreation Department. The City’s management staff is relatively new and inexperienced with respect to transit. Transit oversight is assigned to the Parks & Recreation Director, who is responsible for multiple divisions. This restricts the level of attention needed for transit operations. Given the complexity of scheduling, compliance, safety, and customer service, current staff is concerned this split focus may hinder performance, particularly as the City looks at expanding its service. A dedicated Transit Supervisor position may be better positioned to provide focused oversight, improve operational efficiency, and support future growth.

The City’s organizational chart is provided in Exhibit 7.2.



Exhibit 7.2 City of Fortuna Organizational Chart



Program performance is monitored through daily communication between the drivers and dispatch. Dispatchers reconcile the schedule with the drivers, make sure all of the accounts match, and enter performance data into a database for reporting. Data is reported to the Parks & Recreation Director and the City Council on a monthly basis.

The Fortuna City Council is the governing body overseeing the transit program. City Council meetings occur on the first and third Monday of each month at 6:00 p.m. in the Council Chambers, located at 621 11th St., Fortuna. Meetings are broadcast on Public Access Channel 10 and on Access Humboldt.

In FY 2024/25, the fare increased from \$2.50 to \$3.00 per one-way trip, and from \$22.50 to \$30.00 for a 15-ride punch card. Other changes implemented during the audit period include implementation of a policy requiring riders to schedule their return trips. Previously, riders would call the driver when they were done, resulting in drivers not taking their breaks and getting behind schedule. City staff feel this has been a positive change and lays the groundwork for introducing an app-based reservation system in the future. The City also removed the last scheduling slot of the day because drivers were not able to complete trips and return to the office before being scheduled to go off duty. This shortened the service day slightly.

While implementing the requirement to schedule return trips was a big adjustment for both riders and staff, the City feels it was also one of the biggest accomplishments of the audit period.

The City Council would like to see the City’s transit program continue. It is supportive of opening transit to the general public with priority scheduling for seniors and persons with disabilities. Two councilmembers sit on the Humboldt Transit Authority and the Humboldt County Association of Governments boards and advocate for the continued use and expansion of public transportation in the region.

City staff feel supported by the HCAOG as well as other transit operators within the region. They are interested in regional collaboration and recently joined CalACT.



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 transit in Fortuna, including implementation of general public Dial-A-Ride or a local microtransit program that would be open to the general public. This would also facilitate the streamlining of Redwood Transit System (RTS) service by eliminating several local stops.

The City is currently operating in a maintenance mode while determining whether to expand service to the general public. Future planning efforts are expected to be coordinated in consultation with the Humboldt County Association of Governments (HCAOG).

The Parks & Recreation Director serves as a voting member of the Social Services Transportation Advisory Council (SSTAC) and as an advisory, non-voting member of the Technical Advisory Committee (TAC). The City also provides input into the Transportation Development Plan (TDP) coordinated through HCAOG.

Administration

Each year, department heads submit budget requests, which are then reviewed in coordination with Finance staff and the City Manager to develop a proposed budget. This proposal is presented at a City Council workshop, where questions are addressed and adjustments may be made before final adoption at the June City Council meeting. The transit budget primarily includes salaries and benefits, fuel, insurance, supplies, and other personnel-related services. Overall, the budget tends to be accurate, typically running slightly over projections, with opportunities for adjustments incorporated through the mid-year review process in February.

Budget performance is monitored regularly, with monthly reports distributed to departments comparing budgeted versus actual revenues and expenditures. Formal reporting to the City Council occurs during the annual budget process and at the mid-year review, providing opportunities to evaluate performance and make necessary adjustments.

The City uses Tyler Incode Pro as its financial management system to track and manage budget and expenditure data.

The last FTA grant awarded to the City was for a vehicle ten years ago, with that asset now being fully depreciated. The City does not feel it is competitive for FTA grants unless it has been providing general public dial-a-ride for at least a couple of years. The City is currently exploring the transition to general public service in coordination with HCAOG and the Humboldt Transit Authority (HTA), which would improve eligibility for future FTA funding. The proposed model would maintain demand-response service while expanding access, using scheduling technology and a call center system to prioritize seniors and persons with disabilities while filling unused capacity with general public trips. Implementation timing remains uncertain as funding and operational details are still being evaluated, and current service is operated with limited staffing, including one Class B driver and part-time drivers supporting weekday operations. Ideally City staff would like to implement general public Dial-A-Ride by the end of FY 2025/26, but does not feel that is an achievable timeline. However, a rapid deployment is preferred to open the City up to new funding streams and mitigate the impact of HTA's plans to reduce the number of Redwood Transit System bus stops in Fortuna.



The City Clerk handles the City's risk management. The City is self-insured, part of the California Intergovernmental Risk Authority (CIRA) state insurance pool. A safety committee meets monthly with a representative from the transit program in attendance. The City has discussed developing its own emergency plan in the future.

The City Council has approval authority over contracts valued at over \$100,000, while the City Manager can approve anything between \$10,000 and \$100,000, and department heads range between \$2,500 and \$10,000. City staff monitor the city-wide fuel contract with Valley Pacific. All employees utilize direct deposit.

Marketing and Public Information

Transit-related materials are shared through flyers posted on vehicles and at community locations such as the senior center, inclusion in local resource guides, and a dedicated transit subpage on the City's website, which generates regular inquiries. The scheduling policy change implemented in July 2025 was generally understood by existing riders. The City has been hesitant to do a significant marketing push while it determines how and when to introduce general public service. It prepared a paratransit flyer recently to reassure residents that transit is not going away. Once the City begins to move forward toward general public service, it will do much more promotion and public notification.

Most customer calls are related to trip scheduling and are logged through the reservation system. General information inquiries, however, are not consistently tracked unless they result in a new rider registration. For example, calls from external organizations such as the VA regarding potential clients are typically not logged unless those individuals proceed with the sign-up process.

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 and 155 surveys from riders across all transit services. It was unclear how many surveys were completed by Fortuna residents. The City has not conducted any additional surveys.

Public perception of the transit program is generally positive and seen as a necessary service in the community.

Scheduling, Dispatch, and Operations

The City's transit program is operated in-house. Full-time drivers are eligible to be part of the Fortuna Employees Association. The program is operated by one full-time driver with a Class B license who works Tuesday through Friday, one part-time driver scheduled Monday through Wednesday, one part-time driver scheduled Thursday through Friday, and one per diem driver. The part-time drivers hold Class C licenses. The per diem driver can cover the two part-time drivers but not the full-time driver, as they are not licensed to drive the bus. The per diem driver can work up to 29 hours per week, but may not be scheduled for any hours. Full-time employment is considered to be 35 hours per week.

The City's transit program currently operates two vehicles for daily service. In the past, three vehicles were used; however, the third vehicle has been deemed unsafe and removed from service. In the event, one vehicle is unavailable, staff may need to cancel trips.



Fortuna Transit vehicles are not equipped with fareboxes. Collected revenue is generally brought into the office in money bags by the drivers. Fares may be paid with cash or check. Punch cards for 15 rides are sold at the City's recreation office and do not expire. A senior housing facility, Lutheran Home for the Aging of Humboldt County, purchases punch cards in bulk to provide to its residents.

Personnel Management and Training

The City has experienced significant turnover within its transit program over the past few years. The longest-serving driver (part-time) has been with the program since September 2023, while the full-time driver was hired in December 2024. Two additional part-time (PT) drivers hired in September 2025. Dispatch staff are also relatively new, each with approximately one year of experience at the time of the site visit.

The City's Human Resources Department manages recruitment for transit positions. The Parks and Recreation Director initiates the process by completing a position requisition form, which HR then uses to post the opening on the City's website, distribute to various locations throughout the City, and share via social media. Applications received through this process are forwarded to the Parks and Recreation Director for review and consideration.

In the past the City has had a second driver with a Class B license. However, recruitment, especially for the part-time positions, is challenging, as these positions have no benefits and low pay. The last recruitment focused on recruiting candidates with a Class C license. The City feels that increasing the wages for part-time drivers, which is currently at the lowest classification on the salary scale, would improve recruitment. Ideally, it would like to see part-time driver wages on par with full-time drivers, since the part-time drivers do not qualify for benefits.

Driver training is currently conducted internally on an informal basis, with existing drivers training new hires. In some cases, part-time drivers have trained full-time staff, and onboarding often depends on whichever experienced operator is available. This is an area where having a dedicated transit supervisor to oversee the training program would be helpful. The City may also wish to talk to HTA about its training program.

Maintenance

Maintenance for the transit fleet is conducted in-house by City staff who are not dedicated exclusively to transit operations. As a result, maintenance capacity is shared across other City responsibilities, and no more than one transit vehicle is worked on at any given time. Local vendors may also be used if the City is unable to do the required work.

Drivers complete pre-trip and post-trip vehicle inspections, which are reviewed by dispatch staff and incorporated into trip documentation. Maintenance staff also receive copies of the daily driver manifest to support vehicle monitoring and servicing needs. In addition, maintenance requests are submitted through a special service request form as needed, with dispatch kept informed of any issues. Simple repairs, such as topping off oil or changing a light bulb, can often be done on the fly without having to take the vehicle out of service.

Maintenance scheduling is coordinated around service hours and demand. The van operates Monday through Friday, which can make scheduling preventative maintenance challenging, and in some instances



maintenance needs have temporarily disrupted service. Maintenance staff are generally scheduled Monday through Thursday from 8:00 a.m. to 4:00 p.m., while most City facilities are closed on Fridays, further limiting available maintenance windows. The City feels maintenance will be easier once the fleet consists only of Class C vans.

Exhibit 7.3 details the City’s public transit fleet.

Exhibit 7.3 Fortuna Transit Fleet

Vehicle #	Model Year	Make/Model	Mileage (Ending FY 24/25)
224	2011	Ford E350	145,347
231	2015	Starcraft E450	134,741
237	2017	Ford 350 EL	44,873



Chapter 8 | Findings and Recommendations

Conclusions

The City of Fortuna is found to be in compliance with the Transportation Development Act (TDA). Two recommendations intended to improve the effectiveness and efficiency of the transit operator are detailed below.

Findings

Based on discussions with City staff, analysis of program performance, and an audit of program compliance and function, the audit team presents no findings related to compliance with the TDA.

Program Recommendations

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. The following recommendations are presented for the City of Fortuna.

Recommendation 1: Ensure vehicle service miles being reported to the State Controller, not total vehicle miles.

Discussion: During the data comparison portion of this audit, it was determined that the City was reporting total vehicle miles to the State Controller, rather than vehicle service miles (or revenue miles). This was identified by comparing what was reported to the State Controller to internal monthly reports, which include both vehicle service miles and total vehicle miles.

Contributing Factor(s): Reporting total vehicle miles to the State Controller results in incorrect data being reported, as total vehicle miles are greater than vehicle service miles.

Recommended Action: Transit staff should work with Finance staff (or whoever is responsible for preparing the State Controller Report) to ensure they are reporting the proper information.

Timeline: FY 2026/27 (FY 2025/26 reporting in January 2027).

Anticipated Cost: None.

Recommendation 2: Consider creating a dedicated Transit Supervisor position to provide greater oversight of the transit program.

Discussion: The City's transit program is currently managed through the Parks and Recreation Department, with the Parks and Recreation Director serving as the de facto Transit Supervisor. However, the Parks and Recreation Director is not only new to transit, but also oversees several other divisions. This results in less-than-optimal oversight of the transit program.



Contributing Factor(s): Implementation of a general public service, which is currently being considered by the City, will likely require additional attention from management. Having a Transit Supervisor in place who can focus on this program can result in a more successful and smoother launch. Dedicated staff would also be able to coordinate driver training, monitor maintenance, promote the general public service, and undertake general community outreach.

Recommended Action: The City should consider developing a job position for and recruiting a dedicated Transit Supervisor who can assume day-to-day oversight of transit (instead of the Parks and Recreation Director).

Timeline: FY 2026/27.

Anticipated Cost: Dependent upon City salary classification and benefits provided.

Recommendation 3: Consider increasing part-time driver wages to improve recruitment and retention.

Discussion: Driver recruitment and retention remain ongoing challenges, particularly for part-time (PT) positions. PT drivers are currently among the lowest-paid classifications in the City's salary schedule, with starting wages at approximately \$17.42 per hour and a top step of \$19.23 across six steps. These wages are near minimum wage and significantly below regional transit providers, where comparable positions (such as with HTA) may start in the low \$30 per hour range. In contrast, full-time (FT) drivers start at approximately \$21.61 per hour based on a 35-hour workweek.

Contributing Factor(s): Because part-time employees do not receive benefits, the relatively low wage structure makes it difficult to attract and retain qualified drivers, resulting in ongoing scheduling challenges. This has also made it difficult to attract additional drivers with a Class B license (though this is expected to be less of an issue when the City fully transitions to vans). While many current drivers are motivated by a commitment to serving the community, reliance on this alone is not a sustainable workforce strategy.

Recommended Action: The City should consider evaluating and adjusting compensation for part-time transit drivers to improve recruitment and retention. Options may include increasing starting wages, reducing the gap between part-time and full-time pay, or aligning wages more closely with regional benchmarks. Providing more competitive compensation would help stabilize staffing levels, reduce turnover, and improve service reliability.

Timeline: FY 2026/27.

Anticipated Cost: Dependent upon changes to position classification.

Recommendation 4: Continue efforts to meet the 10 percent farebox recovery ratio requirement (as needed).

Discussion: The prior triennial performance audit included a recommendation that the City consider additional revenues it could use in calculating the farebox recovery ratio in order to achieve the 10 percent goal. The City noted that no further action was required because it was able to exceed the 10 percent



threshold (11.42 percent) without utilizing any additional funds. Bulk purchases of fares by organizations helped to push the farebox recovery ratio above 10 percent in FY 2024/25.

Contributing Factor(s): This recommendation is included within this audit for several reasons. First, should the farebox recovery ratio be reinstated as the primary measure of compliance, it is unclear as to whether the City will be able to meet the 10 percent requirement on an ongoing basis since it only demonstrated doing so for one year. Second, if a dedicated Transit Supervisor is hired, this will likely increase the overall cost of the transit program, which would require a greater amount of fare revenue to meet the 10 percent threshold. Finally, it is unclear what impact the introduction of general public service will have on the farebox recovery ratio.

Recommended Action: The City should reference PUC 99268.17 and PUC 99268.19 (as amended by AB 149) to continue to evaluate what additional revenues it can use to supplement fare revenues and what, if any, operating costs can be excluded from the calculation. Eligible revenues include Measure E funds as well as any other non-state revenues. Eligible exclusions can include start-up costs for new services, costs required to operate demand-response services that expand access beyond fixed-route corridors, and the cost of funding payment and ticketing systems and services, all of which could potentially apply to the launch of general public Dial-A-Ride. The City should work with its fiscal auditor to ensure any such supplementation or exclusions are appropriately reflected in its annual fiscal audit.

Timeline: Ongoing.

Anticipated Cost: Unknown.

Exhibit 8.1 Audit Recommendations

Recommendations		Importance	Timeline
1	Ensure vehicle service miles are being reported to the State Controller, not total vehicle miles.	High	FY 2026/27
2	Consider creating a dedicated Transit Supervisor position to provide greater oversight of the transit program.	High	FY 2026/27
3	Consider increasing part-time driver wages to improve recruitment and retention.	High	FY 2026/27
4	Continue efforts to meet the 10 percent farebox recovery ratio requirement (as needed).	Medium	Ongoing



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