

Fortuna Transit Triennial Performance Audit FY 2019-20 - FY 2021-22

Final Report



Prepared for the
Humboldt County Association of Governments

July 7, 2023



Prepared by LSC Transportation Consultants

Triennial Performance Audit
of
Fortuna Transit

Fiscal Years 2019-20 through 2021-22

Prepared for

Humboldt County Association of Governments
611 I Street, Suite B
Eureka, CA 95501

Prepared by

LSC Transportation Consultants, Inc.
2690 Lake Forest Road, Ste. C
Tahoe City, CA 96145
530-583-4053

July 7, 2023

This page intentionally left blank

TABLE OF CONTENTS

Executive Summary..... 1
Background 1
Verification and Use of Performance Indicators..... 1
Review of Compliance Requirements..... 2
Status of Prior Audit Recommendations 2
Detailed Review of Transit Operator Functions..... 2
Findings 3
Recommendations 3

Section 1: Triennial Performance Audit Results..... 7
Background 7
Performance Audit and Report Organization 7
Transit Program Description..... 7
Fortuna Transit Operating and Financial Statistics 8
Review of Compliance Requirements..... 16
Status of Previous Audit 19
Detailed Review of Transit Operator Functions..... 20

Section 2: Conclusions and Recommendations.....25
Findings 25
Recommendations 25

LIST OF TABLES

Table 1: Fortuna Transit Performance Measures 9
Table 2: Transit Operator Compliance Requirements – Fortuna Transit..... 18

LIST OF FIGURES

Figure 1: Fortuna Transit Ridership 9
Figure 2: Fortuna Transit Operating Cost 10
Figure 3: Fortuna Transit Operating Cost per Passenger Trip..... 12
Figure 4: Fortuna Transit Operating Cost per Passenger Hour..... 13
Figure 5: Fortuna Transit Passengers per Hour 13
Figure 6: Fortuna Transit Passengers per Mile 14
Figure 7: Fortuna Transit Vehicle Service Hours per Employee..... 14
Figure 8: Fortuna Transit Farebox Ratio 15

This page intentionally left blank

EXECUTIVE SUMMARY

The California Public Utilities Code requires that all transit operators that receive funding under Article 4 of the Transportation Development Act (TDA) be subject to a performance audit every three years. This document presents the findings from the performance audit of transit operations managed by Fortuna Transit. As the Regional Transportation Planning Agency (RTPA) responsible for TDA funding in Humboldt County, these audits were performed under the authority of the Humboldt Association of Governments (HCAOG).

This audit report covers Fiscal Years (FY) 2019-20 through FY 2021-22, and was conducted by LSC Transportation Consultants, Inc. Data collection, initial review, and on-site interviews were conducted in early 2023. The audit process follows guidelines outlined in the Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities developed by Caltrans (2008).

BACKGROUND

Fortuna Transit offers demand response transit services within the Fortuna city limits for older adults and persons with disabilities as well as medical appointment trips to nearby Eureka. The program is run by the City Department of Parks and Recreation using three vehicles.

VERIFICATION AND USE OF PERFORMANCE INDICATORS

Table 1 and Figures 1-8 in Section 1 present operating data and performance indicators for Fortuna Transit Dial-a-Ride. During the audit period, ridership decreased somewhat by 5.1 percent. This represents a smaller decrease in ridership than other area transit operators. Operating costs increased from \$167,294 to \$202,259 during the audit period, a 20.9 percent increase. Factors which contributed to higher operating expenses were an increase in vehicle miles and hours, an increase in salary and benefits, and an increase in insurance costs. This, in turn, had a negative impact on cost efficiency (as measured in operating cost per vehicle service hour) which increased from \$67.54 to \$75.72. Transit services also become less cost effective as measured in terms of operating cost per passenger trip as this performance indicator increased from \$20.58 to \$26.22. Fortuna Transit did not meet the 10 percent farebox ratio requirement (the ratio of passenger fares to operating costs) for a rural area each year of the audit period. Any penalty for transit operators not meeting this TDA requirement, however, was suspended for FY 2019-2020 through FY 2022-23 per AB 90 (2020) and AB 149 (2021) due to COVID.

Fortuna Transit compiled operating statistics in accordance with TDA definitions (as presented in Appendix B of the Performance Audit Guidebook). As for the overall data collection and recording process, Fortuna Transit employs a manual reservation process, which could be improved through dispatch and reservation software, if sufficient funds are available.

REVIEW OF COMPLIANCE REQUIREMENTS

The *Performance Audit Guidebook* recommends reviewing transit operator compliance with certain TDA regulations that relate to a performance audit. Table 2 presents Fortuna Transit's compliance with these requirements. Fortuna Transit services were found to be in compliance on all issues except for the timely submittal of the State Controller Reports for one year of the audit period. It should be noted that the report was only two days late.

STATUS OF PRIOR AUDIT RECOMMENDATIONS

The previous audit was completed by LSC Transportation Consultants, Inc. in 2020. All recommendations were either completed or in the process of being completed during this audit period.

DETAILED REVIEW OF TRANSIT OPERATOR FUNCTIONS

An important step in the performance audit process is to evaluate standard transit operator functions in terms of efficiency and effectiveness. This is done through interviews with transit staff. The review of transit operator functions is divided into the following categories:

- General Management and Organization
- Service Planning
- Administration
- Scheduling, Dispatch and Operations
- Marketing and Public Information
- Maintenance

Fortuna Transit conducts effective service planning and regularly reviews operating statistics. Transit services follow pertinent federal Americans with Disabilities Act (ADA) requirements. Fortuna Transit conducts sufficient public outreach prior to making significant service changes. Fortuna Transit has in place safety, operations, and training procedures which follow applicable regulations. Sufficient marketing and public outreach efforts are conducted by Fortuna Transit. There appears to have been no significant issues during the audit period with respect to vehicle maintenance. Vehicle replacement plans are in place to maintain a safe and operable fleet.

Fortuna Transit is a small demand-response system which efficiently meets mobility needs for older adults and residents with disabilities in the city. The Auditor's analysis of Fortuna Transit services shows that, in terms of operations, the system was efficiently run and well managed during the audit period.

FINDINGS

- In the face of significant decreases in public transit ridership nationwide during this audit period, Fortuna Transit fared better in comparison, only losing 5 percent of their ridership.
- Fortuna Transit did not struggle to recruit and retain qualified drivers during the audit period.
- Fortuna Transit implemented all the prior audit recommendations or are in the process of implementing them.
- During the audit period, Fortuna Transit met 7 of the 9 applicable TDA compliance requirements. Areas where Fortuna Transit was not compliant are:
 - Fortuna Transit failed to submit the State Controller Report within the required timeframe for one fiscal year.
 - Fortuna Transit services did not meet the TDA required farebox ratio of 10 percent for rural transit systems each year of the audit period. There is no penalty for not meeting this requirement during the current audit period due to suspension of the requirement by the state during COVID.

RECOMMENDATIONS

Overall, the Auditor finds the Fortuna Transit system to be a good example of a well-run rural transit program which is making efficient use of public resources. The auditor has the following recommendations:

Recommendation 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. 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. The ICT rule is outlined below:

Cal. Code Regs. Tit. 13, § 2023.1 - Zero-Emission Bus Requirements

(a) Zero-Emission Bus Purchase Requirements.

(1) In any given calendar year, transit agencies must purchase or operate a minimum number of zero-emission buses as determined by the following schedules:

(B) For a small transit agency:

- 1. Starting January 1, 2026, twenty-five percent of the total number of new bus purchases in each calendar year must be zero-emission buses; and*
- 2. Starting January 1, 2029, all new bus purchases must be zero-emission buses.*

(2) If the calculated required minimum number of zero-emission buses as set forth in section 2023.1(a) in a given calendar year does not result in a whole number, the number must be rounded to the nearest integer.

...

(d) Zero-Emission Bus Rollout Plan Requirements. A transit agency must submit a Zero-Emission Bus Rollout Plan (Rollout Plan) to the Executive Officer that meets the following requirements.

(1) Rollout Plans must include all of the following components:

- (A) A goal of full transition to zero-emission buses by 2040 with careful planning that avoids early retirement of conventional internal combustion engine buses;*
- (B) Identification of the types of zero-emission bus technologies a transit agency is planning to deploy, such as battery electric or fuel cell electric bus;*
- (C) A schedule for construction of facilities and infrastructure modifications or upgrades, including charging, fueling, and maintenance facilities, to deploy and maintain zero-emission buses. This schedule must specify the general location of each facility, type of infrastructure, service capacity of infrastructure, and a timeline for construction;*
- (D) A schedule for zero-emission and conventional internal combustion engine bus purchases and lease options. This schedule for bus purchases must identify the bus types, fuel types, and number of buses;*
- (E) A schedule for conversion of conventional internal combustion engine buses to zero-emission buses, if any. This schedule for bus conversion must identify number of buses, bus types, the propulsion systems being removed and converted to;*
- (F) A description on how a transit agency plans to deploy zero-emission buses in disadvantaged communities as listed in the latest version of CalEnviroScreen (<https://oehha.ca.gov/calenviroscreen>);*
- (G) A training plan and schedule for zero-emission bus operators and maintenance and repair staff; and*
- (H) Identification of potential funding sources.*

(2) Each transit agency's governing body must approve the Rollout Plan through the adoption of a resolution, and submit the Rollout Plan and a copy of the resolution to the Executive Officer according to the following schedule:

- (A) A large transit agency must submit its governing body approved Rollout Plan along with its approval to the Executive Officer by July 1, 2020;*
- (B) A small transit agency must submit its governing body approved Rollout Plan along with its approval to the Executive Officer by July 1, 2023.*

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.

In summary, Fortuna should 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 must be adopted by the Fortuna City Council by resolution.

Recommendation 2: If farebox ratio falls below the 10 percent TDA requirement, consider the following for farebox ratio 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).
- Exclusion of costs from the definition of “operating costs” per AB 149 (2021) which amended PUC Section 99268.17.

(a) Notwithstanding subdivision (a) of Section 99247, all of the following costs shall be excluded from the definition of “operating cost” for the purposes of calculating any required ratios of fare revenues to operating cost specified in this article:

(1) The operating costs required to provide comparable complementary paratransit service as required by Section 37.121 of Title 49 of the Code of Federal Regulations, pursuant to the federal Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12101 et seq.), as identified in the operator’s paratransit plan pursuant to Section 37.139 of Title 49 of the Code of Federal Regulations.

(2) Cost increases beyond the change in the Consumer Price Index for all of the following:

(A) Fuel.

(B) Alternative fuel programs.

(C) Power, including electricity.

(D) Insurance premiums and payments in settlement of claims arising out of the operator’s liability.

(E) State and federal mandates.

(3) Startup costs for new services for a period of not more than two years.

(4) Costs required to operate demand-response and microtransit services that expand access to transit service beyond fixed route corridors. For purposes of this paragraph, “microtransit” has the same meaning as in Section 99314.6.

(5) Costs of funding or improving payment and ticketing systems and services.

(6) Costs of security services and public safety contracts.

(7) Any expense greater than the actuarially determined contribution associated with pensions and other post-employment benefits as required by Governmental Accounting Board Statement Numbers 68 and 75.

(8) Costs of planning for improvements in transit operations, integration with other operators and agencies, transitioning to zero-emission operations, and for compliance with state and federal mandates.

This page intentionally left blank

TRIENNIAL PERFORMANCE AUDIT RESULTS

BACKGROUND

The TDA, also known as the “Mills-Alquist Deddeh Act,” provides two major sources of funding for public transportation providers in California: the Local Transportation Fund (LTF) and the State Transit Assistance (STA). The LTF is derived from 0.25 percent of the 7.25 percent retail sales tax collected statewide and can be used for a variety of transportation purposes, according to a set of priorities detailed in the Act. The State Board of Equalization returns the LTF to each county in accordance with the amount of tax collected in that county. STA funds are derived from statewide sales tax on diesel fuel and the funds are allocated to each county based on the following formula: 50 percent according to population and 50 percent according to operator revenues from the prior fiscal year. STA funds can only be used to pay for transit planning, capital projects, and operations.

The California Public Utilities Commission (PUC) requires that a Triennial Performance Audit (TPA) be conducted for all transit operators and Regional Transportation Planning Agencies (RTPAs). A performance audit is a systematic process of evaluating an organization’s effectiveness, efficiency, and economy of operations under management control. The objectives of the audit are to provide a means for evaluating an organization’s performance and to enhance the performance by making recommendations for improvements. In addition, the audit evaluates the adequacy of an organization’s systems and the degree of compliance with established policies and procedures. This TPA covers FY 2019-20 through FY 2021-22.

PERFORMANCE AUDIT AND REPORT ORGANIZATION

The performance audit consists of the following elements:

- Initial review of transit operator functions
- Review of compliance requirements
- Follow-up review of prior performance audit recommendations
- Verification and use of performance indicators
- Detailed review of various transit operator functions
- Preparation of the Draft Audit report
- Preparation of the Final Audit report

TRANSIT PROGRAM DESCRIPTION

The City of Fortuna has a population of around 12,500 people and is in the mid-western portion of Humboldt County along US Highway 101 (US 101). Fortuna Transit provides demand-response transit within city limits for seniors ages 50 years and older or disabled persons who are unable to drive, however persons under the age of 50 can be eligible if confirmed by a physician’s note. Fortuna Transit service runs Monday through Friday between 8:30 AM and 4:00 PM and does not run during the

weekend or major holidays observed by the city. Fortuna Transit trips are limited to within the city limits except for medical trips to Eureka on Tuesdays.

Riders can make trips to up to three destinations per day. If there is enough capacity, passengers may go above the three-destination rule. Riders can call the dispatcher on the same day or up to a week in advance to reserve a ride for non-medical appointments. For medical appointments, reservations may be made up to a month in advance of the scheduled appointment.

Fares

Fortuna Transit's one-way trip cash fare is \$2.50. Multiride pre-paid punch cards are also available for purchase at \$22.50 for 15 trips. Free trips are provided to Parks and Recreation sponsored programs and events.

FORTUNA TRANSIT OPERATING AND FINANCIAL STATISTICS

The following section and Table 1 present operating statistics and performance indicators for Fortuna Transit demand response services. This information is based on data taken from internal operating data provided by Fortuna Transit and annual Fiscal and Compliance Audits.

Due to the COVID-19 pandemic, year to year comparisons of performance statistics during this audit period should be viewed with caution. During FY 2019-20, 2020-21, and 2021-22, COVID-19 impacted the performance indicators of Fortuna Transit, including ridership, revenue, farebox recovery ratio and costs per passenger and may not accurately represent the service's long-term utility or success.

Data Collection Methods

As part of the TPA process, the auditor must collect and verify the following transit operator statistics:

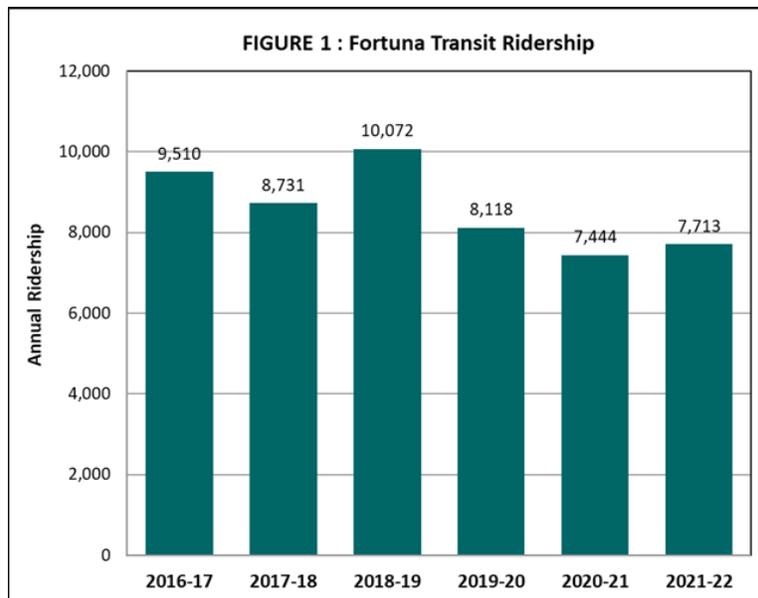
- Annual Passenger Count
- Annual Vehicle Service Hours
- Annual Vehicle Service Miles
- Annual Operating Cost
- Annual Employee Hours
- Annual Fare Revenue

Passenger Count represents one-way passenger trips. Ridership data for Fortuna Transit was obtained from internal activity reports provided by Fortuna Transit. Table 1 and Figure 1 show that ridership in FY 2021-22 was 7,713, down from 8,118 in FY 2019-20. This represents a 5 percent decrease in ridership over the audit period and a 19 percent decrease over the previous six-year period. Passenger counts increased, however, from FY 2020-21 to FY 2021-22 by 3.6 percent. Compared to other rural transit systems, particularly demand response services, Fortuna Transit lost very little ridership during the COVID-19 pandemic.

TABLE 1: Fortuna Transit Performance Measures

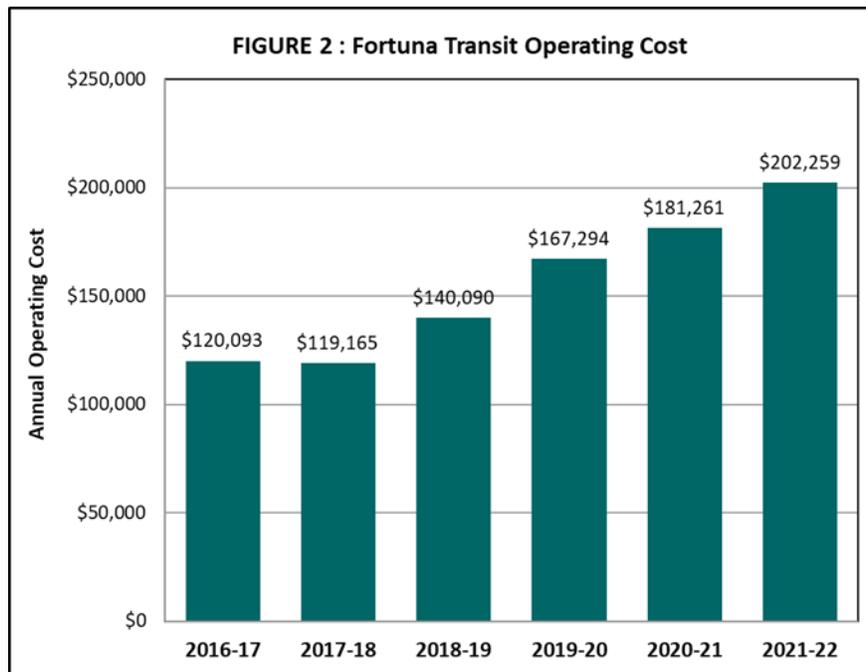
Performance Measures	Previous Audit			Current Audit		
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
One-Way Passenger-Trips	9,510	8,731	10,072	8,118	7,444	7,713
<i>% Change from Previous Year</i>	11.7%	-8.2%	15.4%	-19.4%	-8.3%	3.6%
Vehicle Service Hours	3,084	2,480	3,009	2,470	2,220	2,671
<i>% Change from Previous Year</i>	6.2%	-19.6%	21.3%	-17.9%	-10.1%	20.3%
Vehicle Service Miles	24,396	20,642	27,006	21,608	20,834	22,710
<i>% Change from Previous Year</i>	9.0%	-15.4%	30.8%	-20.0%	-3.6%	9.0%
Operating Costs	\$120,093	\$119,165	\$140,090	\$167,294	\$181,261	\$202,259
<i>% Change from Previous Year</i>	6.8%	-0.8%	17.6%	19.4%	8.3%	11.6%
Number of Employees	3	3	3	3	3	3
<i>% Change from Previous Year</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Farebox Revenues	\$12,132	\$16,639	\$16,195	\$15,261	\$11,689	\$12,943
<i>% Change from Previous Year</i>	-8.3%	37.1%	-2.7%	-5.8%	-23.4%	10.7%
Operating Cost per One-Way Passenger-Trip	\$12.63	\$13.65	\$13.91	\$20.61	\$24.35	\$26.22
<i>% Change from Previous Year</i>	-4.4%	8.1%	1.9%	48.2%	18.2%	7.7%
Operating Cost per Vehicle Service Hour	\$38.94	\$48.05	\$46.56	\$67.73	\$81.65	\$75.72
<i>% Change from Previous Year</i>	0.6%	23.4%	-3.1%	45.5%	20.6%	-7.3%
Passengers per Vehicle Service Hour	3.08	3.52	3.35	3.29	3.35	2.89
<i>% Change from Previous Year</i>	5.2%	14.2%	-4.9%	-1.8%	2.0%	-13.9%
Passengers per Vehicle Service Mile	0.39	0.42	0.37	0.38	0.36	0.34
<i>% Change from Previous Year</i>	2.5%	8.5%	-11.8%	0.7%	-4.9%	-4.9%
Vehicle Service Hours per Employee	1,028	827	1,003	823	740	890
<i>% Change from Previous Year</i>	6.2%	-19.6%	21.3%	-17.9%	-10.1%	20.3%
Farebox Recovery Ratio	10.10%	13.96%	11.56%	9.12%	6.45%	6.40%
<i>% Change from Previous Year</i>	-14.1%	38.2%	-17.2%	-21.1%	-29.3%	-0.8%

Source: Fortuna Fiscal Audit 2016-2022 and Internal Summary Reports FY's 2019-20, 2020-21 and 2021-22



Operating Cost data (Table 1 and Figure 2) for Fortuna Transit services was obtained from the annual Fiscal and Compliance Audits and include total operating expenses for the transit service, minus depreciation costs. Operating costs increased by 20.9 percent during the audit period, from \$167,294 in FY 2019-20 to \$202,259 in FY 2021-22. The increase in operating costs is due to a combination of factors including:

- Vehicle service miles and hours increased 5 and 8 percent respectively over the audit period.
- Fuel costs increased steadily over the audit period.
- The cost of employee health benefits increased by approximately \$11,000 in FY 2020-21.
- Insurance costs nearly doubled in FY 2020-21.



Vehicle Service Hour data (Table 1) was obtained from internal activity reports. The definition of a vehicle service hour as currently used by Fortuna Transit is consistent with the definition presented in Appendix B of the *Performance Audit Guidebook*, defining vehicle service hours as the time during which a revenue vehicle is available to carry fare-paying passengers. In other words, the time between the scheduled time of the first passenger pickup and the last passenger drop off is considered service hours. Vehicle service hours increased by 8 percent between FY 2019-20 and FY 2021-22, going from 2,470 to 2,671. Service levels dropped in between at the height of the pandemic.

Vehicle Service Mile data (Table 1) was obtained from internal activity reports. As with vehicle service hours, the definition of a vehicle service mile as currently used by Fortuna Transit is consistent with the definition presented in Appendix B of the *Performance Audit Guidebook*. Vehicle service miles increased by 5 percent between FY 2019-20 and FY 2021-22.

The **Full-Time Equivalent (FTE) Employee** data (Table 1), representing annual employee hours, was obtained from State Controller Reports. Fortuna Transit reported 3 Full-Time Equivalent (FTE) employees

during the audit period. The FTE definition currently used by Fortuna Transit is consistent with the definition presented in Appendix B of the *Performance Audit Guidebook*. Fortuna Transit began calculating FTE employee hours in accordance with the TDA definition for FY 2020-21. Prior to this, Fortuna Transit calculated FTE employee hours by dividing total summed hours worked by 2,080, not 2,000.

Fare Revenue data (Table 1) was obtained from annual Fiscal and Compliance Audit reports. It should be noted that PUC Section 99205.7 states that fare revenues are defined as revenue object classes 401, 402, and 403, as specified in Section 630.12 of Title 49 of the Code of Federal Regulations:

- Object class 401 revenues include full adult, senior, student, child, handicapped, Park-and-Ride lot revenues (must be operated by transit operator), special and reduced fares collected from passengers.
- Object class 402 revenues include guaranteed revenues collected from an organization rather than a rider for rides given along special routes.
- Object class 403 revenues include revenues collected from schools for providing service to children to and from school.

Fare revenue also includes the amount of revenue received by an entity under contract for transit services not yet transferred to the claimant. Additionally, the definition of fare revenues includes fares collected (1) for a specified group of employees, members, or clients, or (2) to guarantee a minimum revenue on a line operated especially for the benefit of the paying entity (e.g., an employer, shopping center, university, etc.), or (3) cash donations made by individual passengers in lieu of a prescribed fare.

Fare revenue differs from and does not include local support or local funds, which are any nonstate grants or other revenues generated by, or distributed to, the operator. Local funds can be used to supplement fare revenues for farebox ratio calculation purposes if fare revenues alone are not sufficient. Charter revenue cannot be included in the fare revenue category. It should be noted that Low Carbon Transit Operations Program (LCTOP) funds acquired for the purpose of having fare-free transit service can be categorized as fare revenue under object class 402 or local support.

Fortuna Transit calculates and reports fare revenue correctly to the State Controller. Fare revenue for this audit period ranged from \$15,261 (FY 2019-20) to \$12,943 (FY 2021-22).

For the overall data collection and recording process, Fortuna Transit drivers record passenger-trips, miles and fares by hand on a “Weekly Performance Sheet”. At the end of the week, operating data is tallied by administrative staff and input into electronic monthly spreadsheets.

Calculation and Evaluation of Performance Indicators

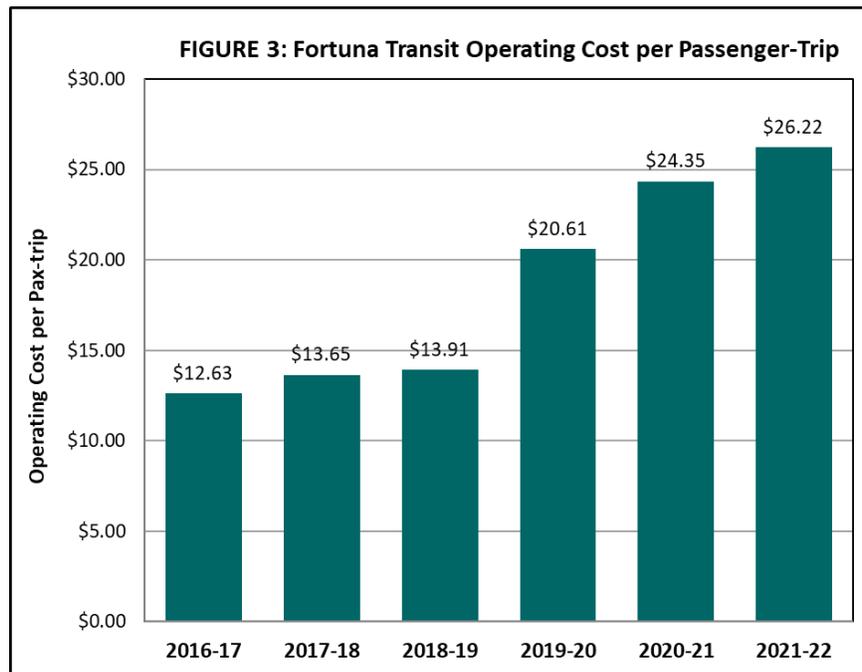
Performance indicators are frequently used to quantify and review the efficiency and effectiveness of a transit operator’s activities. Such indicators can provide insight into current operations as well as into the operator’s performance over a period of time. Using the data described above, the following performance indicators were calculated as required in Section 99246(d) of the Public Utilities Code:

- Operating Cost per Passenger

- Operating Cost per Vehicle Revenue Hour
- Passengers per Vehicle Service Hour
- Passengers per Vehicle Service Mile
- Vehicle Revenue Hours per Employee

In addition, the Farebox Recovery Ratio is calculated and evaluated herein, as required in Section 99268 et seq. of the Public Utilities Code.

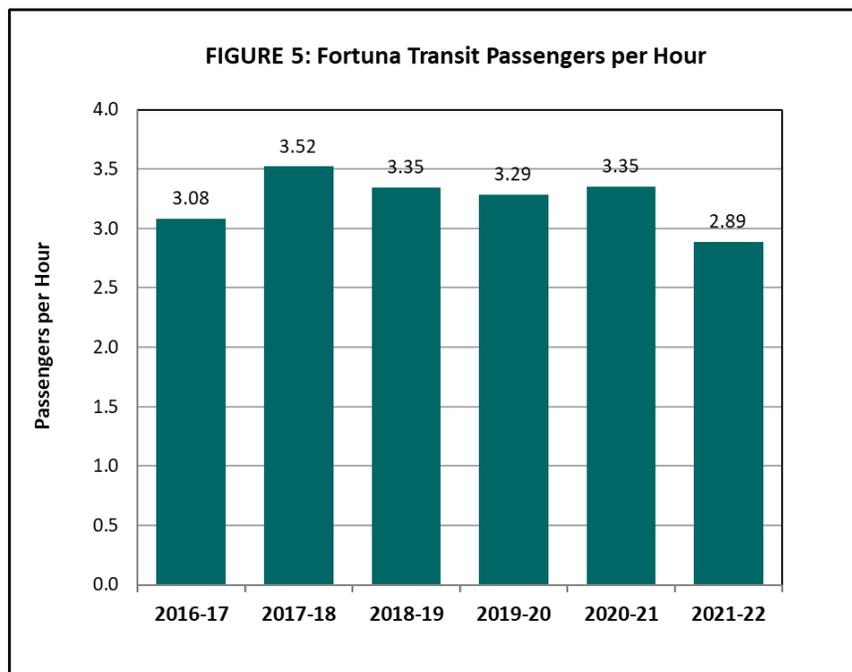
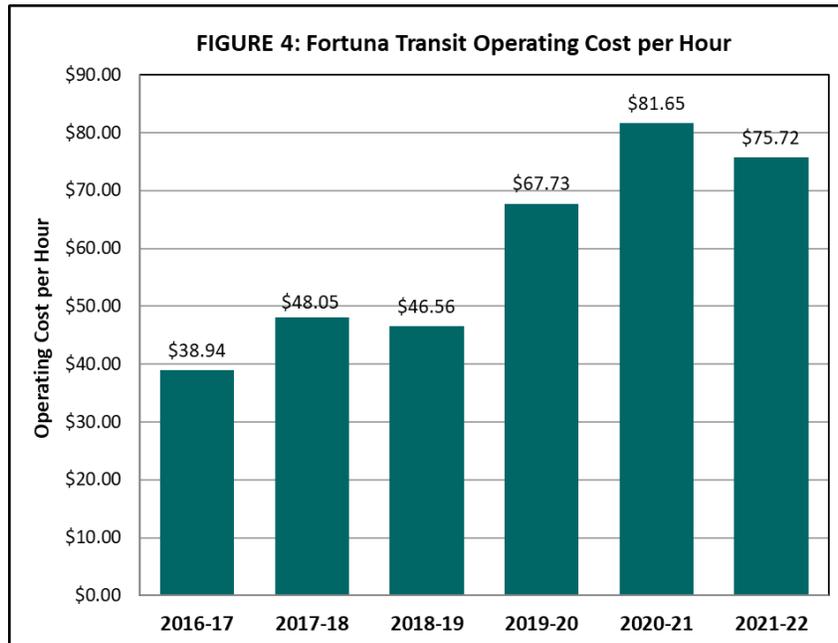
Operating Cost per (One-way) Passenger Trip data is presented in Table 1 and Figure 3. This performance measure is a key indicator of a transit system’s cost effectiveness. Declining ridership demand in general, exacerbated by the COVID 19 pandemic, has had a negative impact on this performance metric for transit agencies. For Fortuna Transit, operating cost per one-way passenger trip increased from \$20.61 in FY 2019-20 to \$26.22 in FY 2021-22. Comparing this metric to FY 2016-17 (\$12.63), the operating cost per one-way passenger trip is up 108 percent in six years. Although this is a significant increase, Fortuna Transit’s operating cost per trip is much lower than the average of the Dial-A-Ride services provided by HTA in FY 2021-22 (\$71 per trip).



Operating Cost per Vehicle Service Hour data is presented in Table 1 and Figure 4. This performance measure is a key indicator of a transit system’s cost efficiency. Fortuna Transit operating cost per hour increased by 11.8 percent over the audit period from \$67.73 to \$75.72. Again, this lower than the average of HTA DAR services (\$156).

Passengers per Vehicle Service Hour (commonly referred to as “productivity”) is presented in Table 1 and Figure 5. Productivity decreased during the audit period from 3.29 passengers per hour to 2.89 passengers per hour. Unlike other performance indicators, productivity increased in FY 2020-21 by 2

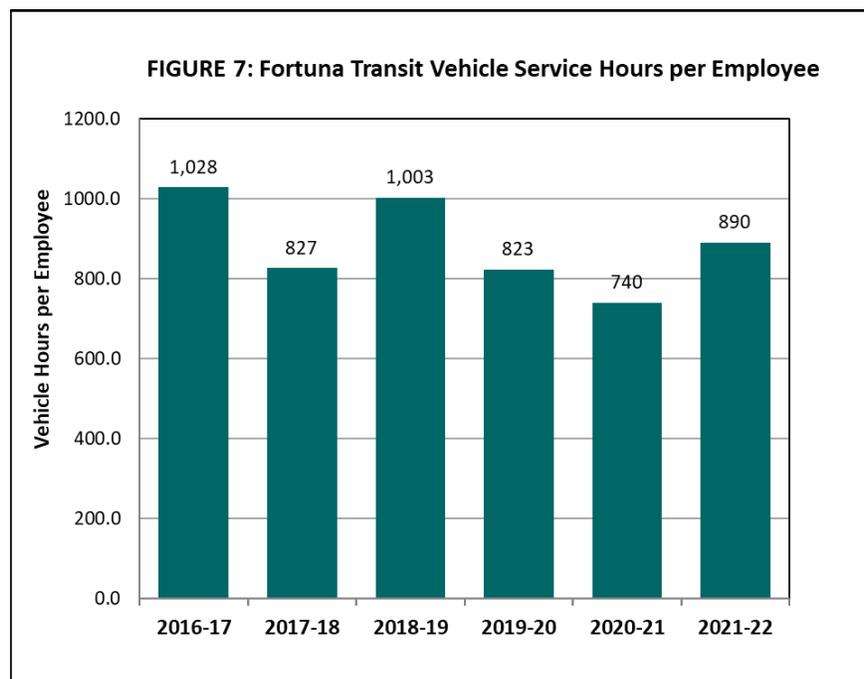
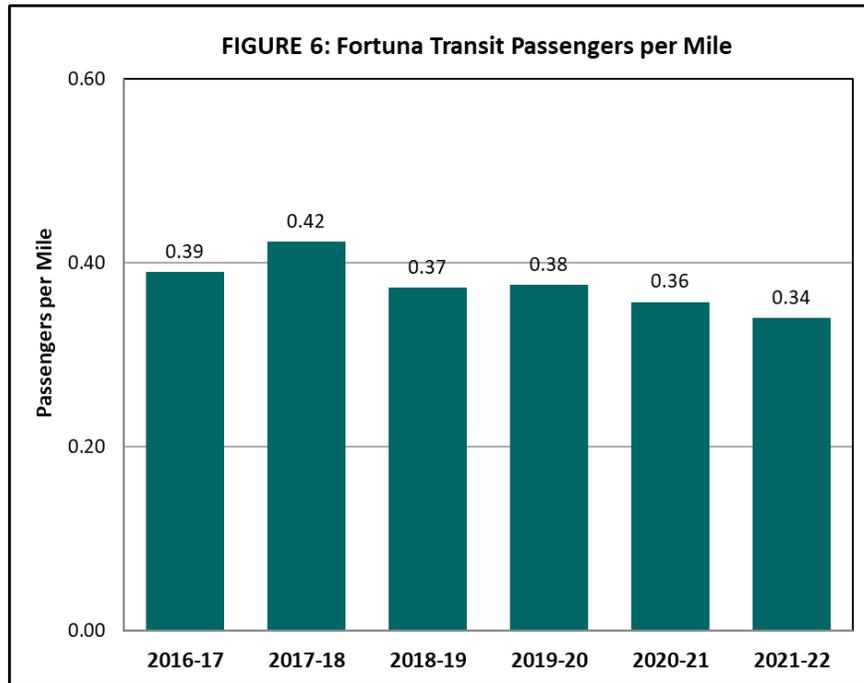
percent, as a result of a greater decrease in service levels than ridership. Carrying over 2 passenger-trips per vehicle hour is good for a demand response transit service.



Passengers per Vehicle Service Mile data is presented in Table 1 and Figure 6. Passengers per vehicle service mile decreased during the audit period from 0.38 to 0.34.

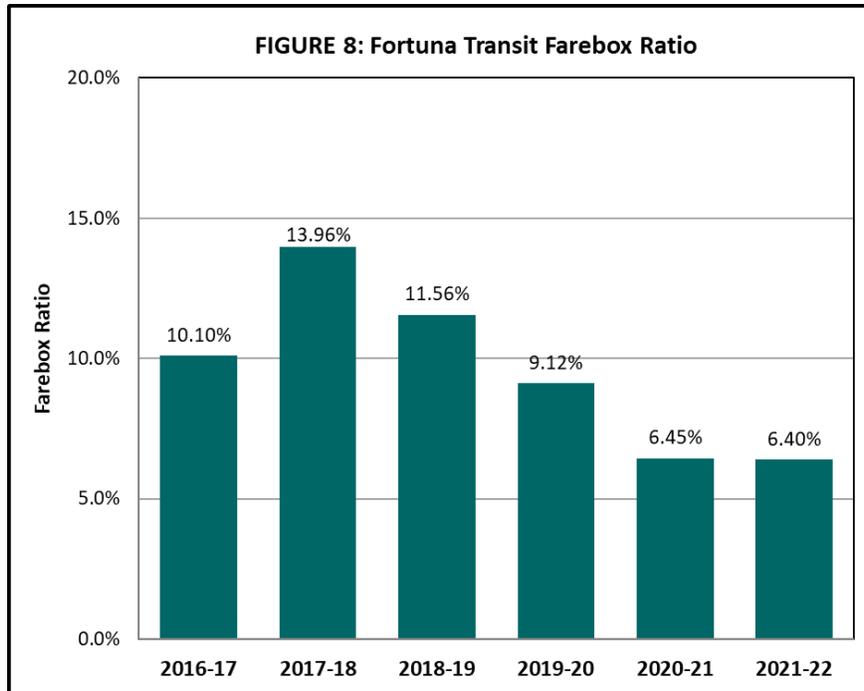
Vehicle Service Hours per Full-Time Equivalent (FTE) Employee data is presented in Table 1 and Figure 7. The number of vehicle service hours per FTE equivalent increased by 8 percent, from 823 to 890 during

the audit period. This is still below FY 2016-17 and FY 2018-19 when it was above 1,000. The number of FTEs required to operate Fortuna Transit has remained consistent at 3 over the past two audit periods.



The **Farebox Recovery Ratio** data is presented in Table 1 and Figure 8. The farebox ratio represents the proportion of operating costs paid for by fare revenues. The California Transportation Development Act (TDA) requires rural transit agencies (such as all of those in Humboldt County) to have a farebox ratio of

at least 10 percent (or to make up the difference using local funds). The ultimate significance of the ratios is that they represent a claimant’s maximum eligibility for TDA funds is. For example, if a claimant had a required fare ratio of 10 percent local support, then it could receive a maximum of 90 percent of its operating cost from TDA (this is in addition to eligibility for capital purposes). If the claimants actual fare revenues and local support proved to be less than the required 10 percent, its TDA eligibility would not be increased to make up the difference. Beginning in FY 2019-20, transit operators who do not meet the required minimum farebox recovery ratio requirement will not be penalized (per Assembly Bill 90). This temporary relief was extended through FY 2022-23, per Assembly Bill 149. Therefore, Fortuna Transit will not be penalized for having a farebox recovery ratio below 10% during this audit period.



Per TDA, if fare revenue alone is insufficient to meet the 10 percent requirement, transit operators can use “local funds” to supplement fare revenue. Local funds are now defined as, “any nonstate grant funds or other revenues generated by, earned by, or distributed to an operator.” Prior to 2021, examples of local support included advertising revenue, lease revenue or funds provided by a local agency. Assembly Bill 149, passed in July 2021, provides further allowances to include federal grant funds as local funds.

On the expense side, operating cost increases beyond the change in the Consumer Price Index for the following categories can be excluded from farebox ratio calculation:

- Complementary paratransit service
- Fuel
- Alternative fuel programs
- Power, including electricity
- Insurance premiums and payments
- State and federal mandates

- Startup costs for new services for a period of not more than two years

Beginning in FY 2021-22, operating cost increases for additional categories can also be excluded per AB 149.

Farebox Ratio was calculated and shown in Table 1. As shown in Table 1, farebox recovery ratio did not meet the 10 percent requirement for a rural public transit system. In accordance with local support definitions, Fortuna Transit has the option to supplement fare revenues with Measure E funds used to finance the additional trips to Eureka if needed, as this would be considered “local funds.” It is the recommendation of this auditor that Fortuna Transit and the Fiscal and Compliance Auditor include Measure E funds along with any federal transit funds received when calculating the farebox recovery ratio.

Assessment of Internal Controls

To ensure that the information gathered as part of this audit is reliable and valid, a review of internal controls is necessary. A transit operator’s internal controls are intended to do the following:

- Provide reasonable assurance that program goals and objectives are met.
- Ensure that resources are adequately safeguarded and efficiently used.
- Ensure that reliable data are obtained, maintained, and fairly disclosed in reports.
- Ensure that the transit operator complies with laws and regulations.

Fortuna Transit appears to have a reasonably well-developed system of internal controls appropriate to the size of the transit system. This statement is echoed in each of the three annual Fiscal Auditor’s Reports.

REVIEW OF COMPLIANCE REQUIREMENTS

As an entity receiving TDA funds for transit purposes, Fortuna Transit is required to comply with laws and statutes set forth in the Act. Below is a discussion of Fortuna Transit’s compliance with sections of the Public Utilities Code which relate to transit performance, as recommended in the Performance Audit Guidebook. Table 2 displays the results of the compliance analysis:

1. In accordance with Public Utilities Code Section 99243, Fortuna Transit has submitted annual reports to the State Controller based on the Uniform System of Accounts and Records established by the State Controller. In Fiscal Year 2019-20, this report was submitted two days after the deadline. In FY 2020-21 and FY 2021-22, the report was submitted within the specified time period. Although technically not in compliance for one year, Fortuna Transit has a good record for submittal of State Controller Reports.
2. Per the requirements set forth in PUC Section 99245, Fortuna Transit submitted annual Fiscal and Compliance audits to the HCAOG and to the State Controller within the specified time period for the entire audit period.

3. In accordance with PUC Section 99251, Fortuna Transit has submitted evidence that the California Highway Patrol has certified compliance with Vehicle Code Section 1808.1 within the 13 months prior to each TDA claim submitted.
4. In accordance with PUC Section 99261, Fortuna Transit's claims for TDA funds were submitted in compliance with rules and regulations adopted by the HCAOG for such claims.
5. As Fortuna Transit does not serve an urbanized area, PUC Section 99270.1 does not apply.
6. PUC Section 99266 requires that Fortuna Transit's operating budgets not increase by more than 15 percent over the preceding year, and no substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities be realized unless the operator has reasonably supported and substantiated the change(s). See Table 1 for actual operating costs between FYs 2019-20 and FY 2021-22. Annual operating costs for Fortuna Transit services did not increase by over 15 percent in a single year. Fortuna Transit is in compliance with PUC 99266.
7. Fortuna Transit's definitions of performance measures must be consistent with PUC Section 99247. A review of Fortuna Transit's definitions shows that they are consistent with the requirements of the above code section. Fortuna Transit began calculating FTE Employees in compliance with PUC Section 99247 beginning in FY 2020-21.
8. As the Fortuna Transit service area includes only rural areas, Fortuna Transit services are not subject to the 20 percent fare revenue ratio requirement.
9. As the Fortuna Transit service area includes only rural areas, Fortuna Transit services are subject to a 10 percent farebox ratio requirement. Fortuna Transit did not maintain a 10% farebox recovery ratio for FY 2019-22, however there is no penalty during this audit period for non-compliance per AB 90 (2020) and AB 149 (2021).
10. In compliance with PUC Code 99271, the City of Fortuna and Fortuna Transit participate in the State of California Public Employees Retirement System (PERS) for its employee retirement. As of June 2018, reports show that the CalPERS fund was only around 70 percent funded. CalPERS is taking steps to increase the funded status such as shortening the amortization period and adopting new strategic asset allocation. Additionally, GASB 68 and 75 now requires that employers show the pension and OPEB liabilities on their balance sheets instead of in the footnotes. This is a way of forcing employers (cities/counties) to recognize their share of the state's unfunded liability in hopes that the employers take more interest in having these liabilities paid off.

Despite the changes to the balance sheets, actuarial valuations performed by CalPERS assume that the amortization period for the unfunded liability for CalPERS is 30 years or less. Therefore, the retirement system will be funded within 40 years, per PUC 99271.

11. In accordance with California Code of Regulations Section 6754(a)(3), Fortuna Transit makes full use of funds available to it under the Urban Mass Transportation Act of 1964 (in particular, FTA Section 5311 Non-Urbanized Area Formula Program funds administered by Caltrans) before TDA claims are granted.

Requirement	PUC Reference	In Compliance?	
		Yes	No
(1) The transit operator submitted annual reports to the RTPA based upon the Uniform System of Accounts and Records established by the State Controller within the specified time period.	99243		x
(2) The operator has submitted annual fiscal and compliance audits to its RTPA and to the State Controller within 180 days following the end of the fiscal year, or has received the 90-day extension allowed by law.	99245	x	
(3) The CHP has, within the 13 months prior to each TDA claim submitted by an operator certified the operator's compliance with Vehicle Code Section 1808.1 following CHP inspection of the operator's terminal.	99251 b	x	
(4) The operator's claim for TDA funds is submitted in compliance with rules and regulations adopted by the RTPE for such claims.	99261	x	
(5) If an operator serves urbanized and non-urbanized areas, it has maintained a ratio of fare revenues to operating costs at least equal to the ratio determined by the rules and regulations adopted by the RTPA.	99270.1	NA	
(6) The operator's operating budget has not increased by more than 15 percent 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.	99266	x	
(7) The operator's definitions of performance measures are consistent with Public Utilities Code Section 99247.	99247	x	
(8) If the operator serves an urbanized area, it has maintained a ratio of fare revenue to operating cost at least equal to one-fifth (20 percent), unless it is in a county with a population of less than 500,000, in which case it must maintain a ratio of at least three-twentieths (15 percent).	99268.2, 99268.3, and 99268.1	NA	
(9) If the operator serves a rural area, it has maintained a ratio of fare revenues to operating costs at least equal to one-tenth (10 percent). ⁽¹⁾	99268.2, 99268.4, and 99268.5		x
(10) The current cost of 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.	99271	x	
(11) If the operator receives state transit assistance funds, the operator makes full use of funds if available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted.	California Code of Regulations, Section 6754 (a) (3)	x	

Note 1: Per Assembly Bill 90 (2020), any penalty on transit operators for non-compliance of farebox recovery ratio requirements is prohibited in FY 2019-20 and FY 2020-21. AB 149 (2021) extended this relief through FY 2022-23.

STATUS OF PREVIOUS AUDIT

The previous audit was completed by LSC Transportation Consultants, Inc. in 2020. The recommendations from that effort are enumerated below.

Recommendation 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*:

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 (Performance Audit Guidebook).

Implementation Complete: Beginning in FY 2020-21, Fortuna Transit calculates FTE Employees consistent with the definition in Appendix B of the *Performance Audit Guidebook*.

Recommendation 2: If farebox ratio falls below the 10 percent TDA requirement, consider accounting for Measure E funds as local support for farebox ratio calculation purposes in the Fiscal and Compliance Audit.

Implementation In Progress: During the current audit period, Fortuna Transit was not penalized for any farebox recovery ratio below 10 percent, therefore it is reasonable that Fortuna Transit chose not to account for Measure E funds as local support when calculating farebox recovery ratio in the FY 2019-20, FY 2020-21, and FY 2021-22 Fiscal and Compliance Audits. Discussion with the Finance Manager, however, made clear that Fortuna Transit plans to apply Measure E funds to farebox recovery ratio calculations in the future if needed and has the available funds to do so. Therefore, it is expected that this recommendation will be implemented when the minimum farebox recovery ratio requirement is enforced in the future.

Recommendation 3: If funding is available, research and get dispatch software to improve the reservation and trip assignment process.

Implementation In Progress: During the current audit period, Fortuna Transit considered options for implementing dispatch software, however the available options as proposed to Fortuna Transit were deemed cost prohibitive. Fortuna Transit remains open to the idea of acquiring dispatch software and will continue to research cost-effective options and funding sources. Fortuna Transit could consider joint procurement options with HTA for dispatch software in the future.

DETAILED REVIEW OF TRANSIT OPERATOR FUNCTIONS

This section presents a review of the various functions of Fortuna Transit. In general, transit operator functions can be divided into the following areas:

- General Management and Organization
- Service Planning
- Scheduling, Dispatch, and Operations
- Personnel Management and Training
- Administration
- Marketing and Public Information
- Maintenance

General Management and Organization

Organizational Structure

Fortuna Transit services are managed by the City of Fortuna's Parks and Recreational Department. Day-to-day general management such as budgeting, personnel, system planning and interagency/board coordination, is provided by the Director of the Parks and Recreation Department. There is one full-time Transit Administrative Supervisor, a part-time Dispatcher/Office Assistant and three bus drivers (one full-time and two part-time). Given the size of the Fortuna Transit program, its internal organization structure is appropriate. The managerial authority is well defined within Fortuna Transit. Lines of reporting are clearly defined and appropriate.

Administrative Oversight

The Transit Manager receives, reviews, and acts on performance and financial information compiled internally monthly. A transit staff report comparing the current month to the prior month and to one year ago is sent to the Fortuna City Council monthly. Management meets weekly with drivers and maintenance staff. Department leads meet weekly and Finance Manager and Director of Parks and Recreation meet several times a year or when needed. Fortuna Transit is a small city demand response transit system. As such, there is effective communication and coordination among employees who deal with transit.

Recent Program Changes and Innovations

There have been no significant changes to the Fortuna Transit program during the audit period.

Communications with Other Government Agencies

Fortuna Transit has a positive relationship with the applicable RTPA, the Humboldt County Association of Governments (HCAOG). The Department of Parks and Recreation Director serves as an intergovernmental liaison with the Fortuna City Council and other regional entities.

Service Planning

Strategic Planning

The effectiveness of a transit system is highly dependent on the continued development of short- and long-range transit plans. These plans also help the agency meet established goals and objectives that have been implemented. In terms of strategic planning, Fortuna Transit has set clear, reasonable goals and objectives in the Short-Range Transit Plan and the Regional Transportation Plan. Fortuna Transit monthly reports do not include performance indicators but compare operations data to the prior year and prior month.

Planning For and Serving Special Transportation Needs

Fortuna Transit's services are designed to meet the needs of persons with disabilities and older adults. The general public is not eligible to ride. All vehicles are equipped with wheelchair lifts and the services meet the federal and state requirements, such as ADA policies, to serve persons with disabilities.

Fortuna Transit conducts annual unmet transit needs hearings. During the current audit period, there were no unmet transit needs identified.

Public Participation

All City Council meetings are open to the public and are conducted in an accessible facility per the requirements of the ADA.

Scheduling, Dispatch, and Operations

This functional area concerns the short-term scheduling of routes, drivers, and vehicles, the daily coordination and assurance that each customer is served, and the specific function of providing transportation service.

Fortuna Transit drivers are appropriately certified for the types of vehicles operated for Fortuna Transit. As a demand response system, there is no driver bid process. There are only three drivers and there has been low turnover for driver positions. There are no extra-board drivers, but the Director of Parks and Recreation and the Transit Administrative Supervisor can fill in, if needed. Two of the three vehicles require a Class B license.

Assignment of Passengers to Demand Responsive Routes

Fortuna Transit has a manual reservation and trip assignment process. The dispatcher takes the reservation requests and records them by hand in a notebook of requested passenger origins, destinations and times. Driver manifests are prepared by the dispatcher based on geographical locations of the trips. The process works adequately for such a small agency as Fortuna Transit, but the transit operator could benefit from dispatch software which allows for computer aided scheduling methods.

Fortuna Transit has an established no-show policy outlined in the Fortuna Transit Riders Guide (for passengers) and the Fortuna Transit Manual (for drivers). As the policy dictates, after the third no-show a passenger must call for a ride the same day for a two-week period. The number of no show/cancellations rose significantly in FY 2021-22, in part due to Covid. This increase did not negatively impact Fortuna Transit service during the audit period and was not an area of concern to Fortuna Transit staff.

Personnel Management and Training

The primary reason for turnover in Fortuna Transit staff is retirement. Fortuna Transit has generally not had any trouble finding qualified drivers. This remained true during the current audit period, despite many transit agencies having significant problems recruiting and retaining qualified drivers. When a new driver is hired, Fortuna Transit is willing to train the right person. New drivers are required to obtain a Class B license in order to operate all vehicles at the end of a 3–6-month training period. The Transit supervisor and mechanic manage driver training. There are no monetary or non-monetary incentive programs in place. All transit-related employees receive annual performance evaluations.

Training and Safety

The Transit Administrative Supervisor conducts on-going training for drivers on a quarterly basis. Drivers also attend the all-city employee safety meetings every Monday. These meetings are an opportunity for refreshing safety practices as well as a time for employees to raise safety concerns or discuss potential safety hazards. The Parks and Recreation Director and Transit Administrative Supervisor also attend conferences to stay updated with the latest best practices.

Administration

Personnel policies about vacation, sick leave, benefits, and discipline are well defined in the City personnel manual. Full-time drivers receive medical and retirement benefits.

Budgeting and Management Information Systems

Fortuna Transit has a well-developed budget and reporting system that is appropriate to the size and scope of the transit program. If substantial excesses over the approved budget were to occur, they would require approval by the City Council. The transit budget is a collaborative effort between the City Finance Director and the Director of Parks and Recreation. The City Finance Director presents the budget to the City Council. The City Finance Director produces monthly budget reports for transit and discusses with the Director of Parks and Recreation as needed. The transit program has rarely been over budget in the past.

Financial and Grants Management

The Director of Parks and Recreation has primary responsibility for grants management and grant writing. The Department of Public Works may assist with grant writing. During the audit period, the operator had not lost any grants or neglected grant opportunities. The city has applied for and received grant funding, including FTA 5310 for transit vehicles.

Risk Management and Insurance

For FY 2019-20 and FY 2020-21, Fortuna Transit was entirely self-insured through the Redwood Empire Municipal Insurance Fund. Beginning in FY 2021-22, Fortuna Transit chose to cover property damage and general liability through Sierra California Intergovernmental Risk Authority instead due to increasing insurance costs. This has been an improvement for Fortuna Transit, as insurance costs leveled off during the last year of the audit period. In case of an emergency, Fortuna Transit buses are available for evacuation use. The City's Human Resources Manager oversees safety/loss prevention initiatives and discusses risk management with city department heads.

Procurement

Fortuna Transit's policies and practices ensure competitive procurement and follow the City Procurement Policy. Fortuna Transit competitively obtains vehicles and other capital items. According to the policy, any purchase over \$500 requires three bids. There are limited fuel providers in Humboldt County, making it unreasonable to competitively obtain fuel. Fortuna Transit uses the Renner Petroleum card lock.

Marketing and Public Information

Schedules and service information are available to current and potential riders through the operator's website, on the buses, social service agencies, medical offices, and stores. Occasionally, Fortuna Transit staff will make presentations at the local senior mobile home park. There is a procedure for taking complaints and compliments, but complaints are rarely received.

Maintenance

Maintenance services are provided by the City of Fortuna Fleet Services. Transit staff indicated that city mechanics are efficient and able to get Fortuna Transit vehicles back out on the road. One backup vehicle is available when maintenance is needed. Most repairs can be conducted in-house. A preventive maintenance schedule is in place that meets the requirements of the bus manufacturers and FTA guidelines. Drivers conduct daily vehicle inspections. Fortuna Transit vehicles are parked and maintained at the city corporation yard, less than two miles from the Parks and Recreation office, where administrative staff is located. There is good communication between the Transit and Maintenance staff.

Vehicle Condition

Fortuna Transit runs three vans and has a good vehicle replacement schedule in place. Fortuna Transit intends to purchase an electric vehicle over the next few years and has the necessary space for a charger at the transit facility. Grant funding will be required for the purchase of charging infrastructure. Hydrogen is also being considered. Fortuna Transit's fleet vehicles have an average mileage of 84,441 miles and an average age of 9 years.

This page intentionally left blank

CONCLUSIONS AND RECOMMENDATIONS

Fortuna Transit is a small demand-response system which efficiently meets mobility needs for older adults and residents with disabilities. The Auditor's analysis of Fortuna Transit services shows that, in terms of operations, the system was efficiently run and well managed during the audit period.

FINDINGS

- In the face of significant decreases in public transit ridership nationwide during this audit period, Fortuna Transit fared better in comparison, only losing 5 percent of their ridership.
- Fortuna Transit did not struggle to recruit and retain qualified drivers during the audit period.
- Fortuna Transit implemented all the prior audit recommendations or are in the process of implementing them.
- During the audit period, Fortuna Transit met 7 of the 9 applicable TDA compliance requirements. Areas where Fortuna Transit was not compliant are:
 - Fortuna Transit failed to submit the State Controller Report within the required timeframe for one fiscal year.
 - Fortuna Transit services did not meet the TDA required farebox ratio of 10 percent for rural transit systems each year of the audit period. There is no penalty for not meeting this requirement during the current audit period due to suspension of the requirement by the state during COVID.

RECOMMENDATIONS

Recommendation 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. 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. The ICT rule is outlined below:

Cal. Code Regs. Tit. 13, § 2023.1 - Zero-Emission Bus Requirements

(a) Zero-Emission Bus Purchase Requirements.

(1) In any given calendar year, transit agencies must purchase or operate a minimum number of zero-emission buses as determined by the following schedules:

(B) For a small transit agency:

- 1. Starting January 1, 2026, twenty-five percent of the total number of new bus purchases in each calendar year must be zero-emission buses; and*
- 2. Starting January 1, 2029, all new bus purchases must be zero-emission buses.*

(2) If the calculated required minimum number of zero-emission buses as set forth in section 2023.1(a) in a given calendar year does not result in a whole number, the number must be rounded to the nearest integer.

(d) Zero-Emission Bus Rollout Plan Requirements. A transit agency must submit a Zero-Emission Bus Rollout Plan (Rollout Plan) to the Executive Officer that meets the following requirements.

(1) Rollout Plans must include all of the following components:

(A) A goal of full transition to zero-emission buses by 2040 with careful planning that avoids early retirement of conventional internal combustion engine buses;

(B) Identification of the types of zero-emission bus technologies a transit agency is planning to deploy, such as battery electric or fuel cell electric bus;

(C) A schedule for construction of facilities and infrastructure modifications or upgrades, including charging, fueling, and maintenance facilities, to deploy and maintain zero-emission buses. This schedule must specify the general location of each facility, type of infrastructure, service capacity of infrastructure, and a timeline for construction;

(D) A schedule for zero-emission and conventional internal combustion engine bus purchases and lease options. This schedule for bus purchases must identify the bus types, fuel types, and number of buses;

(E) A schedule for conversion of conventional internal combustion engine buses to zero-emission buses, if any. This schedule for bus conversion must identify number of buses, bus types, the propulsion systems being removed and converted to;

(F) A description on how a transit agency plans to deploy zero-emission buses in disadvantaged communities as listed in the latest version of CalEnviroScreen (<https://oehha.ca.gov/calenviroscreen>);

(G) A training plan and schedule for zero-emission bus operators and maintenance and repair staff; and

(H) Identification of potential funding sources.

(2) Each transit agency's governing body must approve the Rollout Plan through the adoption of a resolution, and submit the Rollout Plan and a copy of the resolution to the Executive Officer according to the following schedule:

(A) A large transit agency must submit its governing body approved Rollout Plan along with its approval to the Executive Officer by July 1, 2020;

(B) A small transit agency must submit its governing body approved Rollout Plan along with its approval to the Executive Officer by July 1, 2023.

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.

In summary, Fortuna should 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 must be adopted by the Fortuna City Council by resolution.

Recommendation 2: If farebox ratio falls below the 10 percent TDA requirement, consider the following for farebox ratio 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).
- Exclusion of costs from the definition of “operating costs” per AB 149 (2021) which amended PUC Section 99268.17.

(a) Notwithstanding subdivision (a) of Section 99247, all of the following costs shall be excluded from the definition of “operating cost” for the purposes of calculating any required ratios of fare revenues to operating cost specified in this article:

(1) The operating costs required to provide comparable complementary paratransit service as required by Section 37.121 of Title 49 of the Code of Federal Regulations, pursuant to the federal Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12101 et seq.), as identified in the operator’s paratransit plan pursuant to Section 37.139 of Title 49 of the Code of Federal Regulations.

(2) Cost increases beyond the change in the Consumer Price Index for all of the following:

(A) Fuel.

(B) Alternative fuel programs.

(C) Power, including electricity.

(D) Insurance premiums and payments in settlement of claims arising out of the operator’s liability.

(E) State and federal mandates.

(3) Startup costs for new services for a period of not more than two years.

(4) Costs required to operate demand-response and microtransit services that expand access to transit service beyond fixed route corridors. For purposes of this paragraph, “microtransit” has the same meaning as in Section 99314.6.

(5) Costs of funding or improving payment and ticketing systems and services.

(6) Costs of security services and public safety contracts.

(7) Any expense greater than the actuarially determined contribution associated with pensions and other post-employment benefits as required by Governmental Accounting Board Statement Numbers 68 and 75.

(8) Costs of planning for improvements in transit operations, integration with other operators and agencies, transitioning to zero-emission operations, and for compliance with state and federal mandates.