Section VI

Findings

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

Triennial Audit Findings

1. Of the compliance requirements pertaining to the Santa Cruz County transit operators, the operators fully complied with all 10 applicable requirements. One additional compliance requirement did not apply to the operators (urbanized only farebox recovery ratio).

2. Santa Cruz METRO is subject to a 15 percent systemwide farebox standard pursuant to the rules and regulations of the SCCRTC and the Public Utilities Code. During the audit period, Santa Cruz METRO attained farebox ratios for both urban and rural services that exceeded the standard. Both ridership and fare revenues increased for the three-year period. As an older operator, Santa Cruz METRO was also subject to the ratio of fares plus local support to operating costs during the audit period. As shown in the annual TDA claims, Santa Cruz METRO has met this ratio of no less than 56.9 percent (ratio in FY 1978–79 for services to the general public). Local support includes local sales tax revenue for transit. Both Community Bridges and the Volunteer Center meet their respective TDA match requirements.

3. Santa Cruz METRO and Community Bridges’ Lift Line participate in the CHP Transit Operator Compliance Program and received vehicle inspections within the 13 months prior to each TDA claim. Satisfactory ratings were made by the CHP for all inspections conducted during the audit period. For the Santa Cruz METRO inspection, some vehicles were placed out of service in FYs 2013 and 2014 until repairs were completed for areas such as exhaust system leaks and air bag rupture. No vehicles were placed out of service in the 2015 inspection. No violations were noted for the Community Bridges CHP inspections.

4. Of the prior seven performance audit recommendations, the Santa Cruz County operators implemented four recommendations, partially implemented one, and did not implement the remaining two. The partially implemented recommendation concerned the need for Santa Cruz METRO to continuously track on-time performance. On-time performance studies and field checks were conducted during the audit period, but a more consistent and permanent solution remains outstanding. Santa Cruz METRO has planned for technology investments to resolve the issue. Recommendations not implemented were for the Volunteer Center to track new performance indicators such as driver time spent per trip and to regularly review the mileage reimbursement rate in light of driver retention issues.

5. Santa Cruz METRO operating costs increased 21.4 percent systemwide over the period based on audited data from the FY 2012 base year through FY 2015. Systemwide operating costs
reflect all costs and exclude depreciation costs. According to the annual financial audit, the trend in systemwide operating cost increases was due to increases in employees’ wage rates, overtime costs, accrued leave payouts, the provision of other post-employment benefit (OPEB), medical insurance rates, and the CalPERS retirement rate. Community Bridges’ Lift Line operating costs were relatively flat for the three-year period, increasing by 2.4 percent. Volunteer Center transportation costs increased by 10.5 percent for the audit period.

6. Ridership on Santa Cruz METRO increased by 5.3 percent systemwide during the audit period. Fixed-route ridership increased from 5.37 million to 5.65 million passengers between FY 2012 and FY 2015, while ParaCruz ridership increased from 92,325 to 98,200 riders over the same period. Lift Line ridership increased 14.3 percent during the audit period by about 10,500 passengers. Volunteer Center transportation ridership decreased significantly by close to 32 percent, primarily during FY 2015. The annual report prepared by the Volunteer Center indicated that a large number of trips could not be filled as compared to the previous year.

7. From a combination of performance data trends, TDA performance indicators for Santa Cruz METRO showed increases in costs on a per unit basis, including per hour and per passenger. The trends for these indicators using audited costs reflect growth in operating cost at a pace greater than ridership gains and provision of service hours.

8. Santa Cruz METRO vehicles are not equipped with surveillance cameras, although grants have been obtained to procure other security equipment for use on buses and surveillance equipment at facilities. Santa Cruz METRO has invested in the security of facilities and its personnel through the hiring of a safety and training officer. In the absence of on-board cameras, which are being reviewed for procurement, drivers receive training on how to handle security situations on the bus.

9. Schedule adherence and on-time performance for several bus routes have been challenging for a variety of reasons, including construction, narrow travel corridors, and congestion. Several projects to conduct on-time performance checks were completed, including the Short Range Transit Plan and Runtime Recalibration Project to remedy the deficiency.

10. Santa Cruz METRO experienced a shortage of operations supervisors due to retirement, although a transition is in place to promote younger staff into these roles. The shortage had some impact on the agency’s ability to conduct regular on-board evaluations and other supervisory duties. The safety and training coordinator has improved the training status of the operators. Further, in March 2016 the operations division moved into a new facility, which provides a modern structure and environment for operations personnel previously housed in temporary buildings until the facility was completed.

11. Community Bridges’ Lift Line staff indicated that drivers must undergo their own DMV-certified training, as there is no longer an in-house trainer because of a funding shortfall. Support staff workloads and delays in drivers earning their Class B license show the continued need for an in-house driver/trainer/supervisor to improve operations. The Lift Line
operations manager increased the amount of time spent at the Watsonville office to build a better team concept among the drivers. For the Volunteer Center, the number of volunteer drivers declined through FY 2015, primarily from Watsonville, which resulted in fewer rides provided in the southern part of the county. Volunteer Center staff indicated that driver turnover has been at a rate of about 10 percent annually.

12. Text messaging is a larger communications venue for Santa Cruz METRO where riders subscribe to Stay Connected text messaging with the schedule on demand at any location of interest; riders receive real-time subscriber alerts whenever schedules are impacted on the routes they ride. Rider alerts on service changes or current issues are also placed on the Santa Cruz METRO website in a news bulletin feature. A pilot project called Schedule by Stop to provide the day’s bus schedule for each stop is also being tested.

13. One of the most significant administrative actions during the audit period was the retirement of the long-time general manager at the end of 2014 and the hire of a new CEO/General Manager. The new CEO/General Manager was tasked with addressing the agency’s structural deficit that had relied on reserve funds, redirected capital funds, and federal earmarks for many years. The CEO/General Manager’s approach to undertaking this large task involved an inclusive style of education and information among board members and the public during the process.

14. With emphasis on open communication, departments participate in board meetings and present their own topics and reports as a means to build rapport with board members and among each other. A leadership meeting occurs weekly and empowers staff to participate in decision-making for the agency. The CEO/General Manager has introduced a management style founded on data analysis and development of key performance indicators (KPIs) for every department.

15. Telephone interviews with board members provided overall high ratings for staff and activities undertaken during the audit period. Comments expressed include that the new CEO/General Manager has been candid in providing an assessment of the agency’s financial status; staff undertakes a new business-like approach to administering and operating the service that is a fresh perspective toward aligning revenues and costs; a focus on redesigning the transit system was needed to maintain financial stabilization; and recognition that real-time data is needed to make service adjustments.
Recommendations

1. **Santa Cruz METRO should prioritize the addition of on-board cameras.**

   Cameras on transit vehicles are standard for relatively large transit agencies. Cameras serve multiple purposes including for risk management involving passenger and driver safety, complaint resolution, driver training, and incident capture for public safety. Given that the buses do not have cameras installed, Santa Cruz METRO bus and paratransit operators have been fully instructed on procedures to follow with respect to public safety and personal safety and in proper reporting processes to assist medical, fire, and police responders. As part of its measures to increase the use of technology in achieving efficiencies, Santa Cruz METRO should continue working with the union on the addition of on-board cameras and plan for funding. Both fixed-route and paratransit vehicles could be ideally outfitted with cameras, but in considering funding constraints, a priority list of vehicles should be developed.

2. **Santa Cruz METRO should prioritize technology investment to continuously track on-time performance.**

   Delays on the fixed route occur for a variety of reasons, including construction, narrow travel corridors, and congestion. Studies and limited collection methods to date have been employed to track bus on-time performance. Santa Cruz METRO has some technology infrastructure, which is a start to developing tools to automate the collection of on-time performance data. Automated vehicle location and automated passenger counters are priority investments to further automate and expand the collection and organization of on-time performance data, among providing other benefits. Santa Cruz METRO should continue to prioritize these projects for funding as they provide both operational and safety benefits to the riders.

3. **Santa Cruz METRO should strengthen its marketing program.**

   Prior to the development of the SRTP, there was no marketing plan for Santa Cruz METRO. Consequently, there has not been a dedicated marketing manager on staff to coordinate and manage a robust marketing program and integrate customer service with marketing activities. Currently, Santa Cruz METRO departments work together, but no single department is responsible for the overall appearance of Santa Cruz METRO’s marketing tools, adherence to any design policies or programs, or management of the marketing function. The SRTP noted that stakeholders indicated very limited proactive marketing by Santa Cruz METRO, including no specialized efforts targeted to UCSC and Cabrillo College. The recent bus pass program secured with Cabrillo College and UCSC’s contribution to new services provide momentum for proactive marketing and better service to the student population. A marketing manager type position would coordinate the various efforts being conducted and design a comprehensive strategy including actions proposed by the SRTP to increase awareness and brand strength. The prevalence of social media and technology in marketing campaigns raises the importance of an experienced transit marketer. Santa Cruz METRO
should develop a strategy to centralize marketing functions, whether creating a dedicated marketing management position or designating qualified staff within existing departments. This would have the effect of creating efficiencies in consistent messaging and marketing service across communication channels with riders and the public.

4. **Community Bridges’ Lift Line should continue to pursue funding for a driver trainer/supervisor position.**

The driver trainer/supervisor position is key to maintaining a solid core of drivers qualified to operate the vehicles and provide customer service. In spite of a relatively healthy list of on-call drivers, it was indicated that many do not have the full training to obtain a Class B license with passenger endorsement. An in-house resource for training and supervision should be prioritized for funding. With a new Lift Line management structure in place to manage daily operations, the pursuit of grants to fund such a position should be undertaken.

5. **The Volunteer Center should track driver time spent per trip.**

This recommendation is a carryover from the prior audit. The Volunteer Center currently does not request that drivers record drive time in transporting passengers. While trip length is recorded and used to calculate average trip length, drive time is not. The tracking of time spent to transport riders is another gauge of the volunteer program’s value. Performance measures such as average trip time and operating cost per hour place values on the program and the drivers’ and passengers’ time in providing and using the service.

6. **The Volunteer Center should regularly review the mileage reimbursement rate.**

This recommendation is a carryover from the prior audit. Volunteer drivers for the transportation program have the option to receive reimbursement at the rate of $0.31 per mile. In contrast, the current Internal Revenue Service optional standard mileage rates used to calculate the deductible costs of operating an automobile for business purposes is $0.54 per mile. Volunteer Center staff indicated that newer volunteer drivers have requested the reimbursement for the service. In an effort to maintain a qualified pool of volunteer drivers, there should be regular review of the mileage reimbursement rate offered by the Volunteer Center with the rate balanced against budgets for the transportation program. During the audit period, total reimbursements did not reach budgeted figures because many drivers elect to not take the reimbursement. This provides Volunteer Center with some flexibility in phasing in any rate adjustment to recruit and retain the pool of drivers.