



**FY 2016-2018
Triennial Performance Audit of
Santa Cruz County
Regional Transportation Commission**

**Submitted to
Santa Cruz County
Regional Transportation Commission**

April 2020

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Executive Summary

The Santa Cruz County Regional Transportation Commission (RTC, Commission) retained Michael Baker International to conduct its Transportation Development Act (TDA) performance audit for fiscal years (FY) 2015–16, 2016-17, and 2017–18. As a Regional Transportation Planning Agency (RTPA), the RTC is required by California Public Utilities Code (PUC) Section 99246 to prepare and submit an audit of its performance on a triennial basis to the California Department of Transportation (Caltrans) to continue receiving TDA funding. TDA funds are used primarily for RTC administration, planning, and implementation of public transportation and non-motorized projects and programs. This includes distribution of TDA funds for public transit services and non-motorized projects and programs.

This performance audit is intended to describe how well the RTC is meeting its obligations under TDA, as well as its organizational management and efficiency. The *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities, September 2008 (third edition)* published by Caltrans was used to guide the development and conduct of the audit. To gather information for the TDA performance audit, Michael Baker conducted interviews with agency staff and Commissioners as well as with the public transit operators, reviewed various documents, and evaluated the RTC's responsibilities, functions, and performance of the TDA guidelines and regulations.

The audit comprises several sections, including compliance with TDA requirements, status of implementing prior audit recommendations, and review of functional areas. Findings from each section are summarized below, followed by recommendations based on our audit procedures.

Compliance with TDA Requirements

The RTC has satisfactorily complied with applicable state legislative mandates for RTPAs. One compliance measure that did not apply to the RTC pertains to adopting rules and regulations for TDA claims under Article 4.5. The agency does not disburse any TDA funds under this article section. Rather, the CTSA in the county receives TDA Article 8 funds through the City of Santa Cruz acting as the claimant on behalf of the paratransit/community transportation system.

Status of Prior Audit Recommendations

The RTC has implemented one of the two prior performance audit recommendations. The recommendations pertained to the inclusion of a standard assurances form with the TDA claim submittal and update of the Commission's rules and regulations to account for recent changes in the TDA statute. The standard assurances form recommendation was not implemented during the audit period and is being carried forward in this audit for full implementation. It is noted that following the audit period Commission staff is reviewing the sample assurance form

and making adjustments in alignment with the existing TDA claim for transit. RTC will ask the transit claimants to use the form starting in FY 2020-21.

Functional Review

1. The Commission experienced changes in both its executive and professional staffing during and after the audit period. The Commission's long-time executive director retired from the agency in December 2018. A new executive director hired after the audit period was appointed and has led the agency since December 2018. Historically, the longevity of personnel at both the executive and professional staff levels has brought remarkable stability to the agency to address the various technical and policy issues.
2. One of the major accomplishments during the audit period was the passage of Measure D, a 30-year countywide transportation one-half cent transactions and use tax, on November 8, 2016. Passage of the measure gives the RTC leverage in applying for other transportation-related funding from state and federal grant programs as well as providing funding for transit services, infrastructure, major capital projects, some of the backlog of local road maintenance, and to maintain and expand transportation for seniors and people with disabilities. Santa Cruz County is now one of 24 self-help counties in California.
3. Several large projects were accomplished during the audit period, including the development of a preventative maintenance program for the Santa Cruz Branch Line Rail in March 2018, environmental review of auxiliary lanes on Highway 1 between 41st Avenue and Soquel Drive with a pedestrian and bicycle overcrossing at Chanticleer Avenue, and participation in the Bus on Shoulder Feasibility Study that was completed in June 2018. Designations as a Rail/Trail Authority and construction management authority place the RTC in a unique role of evolving from a purely transportation planning agency to a project implementation agency offering multimodal transportation options.
4. Interviews with RTC Commissioners provided overall high ratings for staff and activities undertaken during the audit period. Management and staff are professional, focused, and responsive. The new executive director has been charged with developing new partnerships and approaches that enhance the transparent nature of Commission activities.
5. The 2040 RTP update and corresponding environmental review was developed and adopted in June 2018. The RTP identifies the goals, projects, and programs that will maintain and improve the transportation system over the next 20 years in a measured and sustainable manner. The RTC featured numerous discussions about the RTP on the agency's Nextdoor social media platform, which reaches 77 neighborhoods, and on Facebook, which provided yet another avenue for getting information to the public.
6. Despite no TDA funds being allocated for streets and roads, the RTC continues with an unmet transit needs process that involves obtaining public input and coordinating with the E&D TAC and Santa Cruz METRO to update the Unmet Specialized Transportation/Transit

Needs List. The Commission also formally adopts the list in a sign of agreement. A public hearing is held annually in compliance with the law.

7. TDA claims submitted to the RTC are required to include detailed past and budgeted information to support the claims. The claims forms are reviewed by different Commission staff versed in their respective transportation expertise. Claims for transit and specialized transportation services, and claims for pedestrian improvements, are also reviewed by the E&D TAC. TDA claims for bicycle projects are reviewed by the Bicycle Advisory Committee.
8. The Commission's *Rules & Regulations* serves as an in-house TDA manual documenting the claims administration process by the RTC. Most recently updated on August 17, 2017, the document provides guidance for TDA fund claims. The latest update includes changes to efficiency requirements of transit operators, to bike and pedestrian provisions, and to STA provisions. Further changes to the *Rules & Regulations* may be appropriate in the near term for current proposals being made to the TDA statute.
9. RTC's public outreach focus has been to communicate its mission more effectively while working in close coordination with local jurisdictions and stakeholders. Public outreach efforts also include Spanish language to engage the Spanish speaking community. The Commission hired a communications specialist to coordinate public outreach and community engagement.
10. Commute Solutions and 511 combined under the Cruz511 umbrella and one website to reach more people and streamline operations. Alternative modes of travel are promoted and marketed, and Cruz511 has grown both in size and in popularity. A new on-line commuter management and ridesharing service is planned for launch. Growth in this program is consistent with the RTC's goals of planning for a multimodal transportation system.

Four recommendations are provided to improve the RTC's administration and management relating to the TDA:

1. Include standard assurances form in TDA claims for transit.

This recommendation is being forwarded in this audit, since TDA claims for transit funding must ensure compliance with a series of provisions in the TDA statute. These standard assurances are typically listed in a checklist format in the TDA claims and should be reviewed and signed off by the transit claimant prior to submittal of the claim. The RTC, in turn, would verify compliance for each applicable measure prior to approving the claim for funding. Standard assurances include completion of the annual fiscal and compliance audit and State Controller's Reports, and compliance with the farebox recovery ratio.

TDA requirements are currently covered by the RTC's claim form and claim review process but the standard assurances forms adds a tool in the process to provide a useful summary

and checklist. Many of these standard assurances are featured in the compliance matrix section of the performance audit of the transit operators. In addition, a sample standard assurance checklist from another RTPA is shown for reference in the appendix to this performance audit.

2. Make additional updates to the transit operator TDA process for consistency with the updated RTC rules and regulations.

RTC's revised rules and regulations manual outlines the changes made to the TDA process enacted by state legislation such as SB 508. Some of the changes also directly impact the content of the TDA claim form for transit which should be revised concurrently with the manual. For example, using the FY 2018 TDA claim form, Items #23 (Farebox Recovery Ratio) and #24 (FY 1978-79 ratios) applicable to Santa Cruz Metro should be consistent with the RTC rules and regulations and new state law. Specifically, for #23, additional exclusions from operating cost above the consumer price index for fuel, alternative fuel programs, power, insurance premiums and payments in settlement of claims, and state and federal mandates should be added in the footnotes in calculating urban/rural farebox recovery. For #24, the language should be deleted all together as the law eliminates the requirement for a separate ratio for FY 1978-79.

As an added measure, the quarterly TDA reports submitted by Community Bridges for Lift Line as described in the TDA claim form should include on-time performance of the service. Vehicle on-time arrival to pick up a passenger at the scheduled time is an important measure of operational effectiveness and customer service. The TDA claims submitted by Community Bridges describes the investment in automatic vehicle locator technology and mobile data computers that enable more automation in the tracking of vehicle movement. The technology allows the collection of accurate data such as on-time performance which should be on the list of performance metrics to include in the TDA quarterly report.

3. RTC and Santa Cruz METRO should clarify the performance eligibility criteria for TDA-Local Transportation Funds.

Article 4 of the TDA statute provides alternatives for Santa Cruz METRO to be eligible for TDA-Local Transportation Funds. One is for Santa Cruz METRO to meet the farebox recovery ratio. The other is to meet the 50 percent expenditure rule as an older operator, defined as service starting prior to 1974. Currently, Santa Cruz METRO meets both requirements but the documentation stating eligibility is not consistent. For example, the TDA claims form and resolution state that Santa Cruz METRO eligibility to receive LTF is from farebox compliance. However, its audited financial statements state Santa Cruz METRO meets the 50 percent expenditure limitation and does not use the alternative farebox recovery ratio. Historically, the amount of LTF allocated to Santa Cruz METRO has not exceeded 50 percent of operating expenditures; hence, either criteria applies. Farebox recovery is an important performance measure that gauges transit operational efficiency and effectiveness.

Santa Cruz METRO and RTC should discuss the applicability of each criteria and agree to which of the two meets compliance with rules and regulations for LTF. Currently, the adopting resolution allocating LTF from RTC to Santa Cruz METRO shows farebox recovery. Should the 50 percent expenditure criteria be applied instead, the TDA claims form and resolution should be adjusted. Should farebox remain the criteria, the Santa Cruz METRO audited financial statements should be modified to show audited farebox recovery rather than the 50 percent expenditure rule. This clarity will provide consistency in reporting of performance measures for LTF eligibility.

4. City of Santa Cruz, Volunteer Center, and RTC should discuss an alternative performance measure for TDA-Local Transportation Fund eligibility.

LTF are allocated to Volunteer Center under a performance standard that a 10 percent local match be provided by Volunteer Center. Budgets for the volunteer driver program show a local match would be provided by donations from riders, which are not enough for the 10 percent match. As the LTF revenue is claimed by the City of Santa Cruz on behalf of Volunteer Center through the TDA Article 8 program, the law provides latitude on the performance standard. In lieu of a local match, RTC, the City, and Volunteer Center should discuss an alternative measure for LTF eligibility. Among the possibilities include using goals set in the TDA claim form such as minimum ridership levels and number of unduplicated clients. Other data that is reported by Volunteer Center to RTC for which a performance standard could be created include minimum number of ride requests unable to fill, and maintenance of driver availability for clients in each of the three travel areas of Santa Cruz, San Lorenzo Valley/Scotts Valley, and Watsonville. Given that the current standard for local match cannot be met, another performance standard that is attainable yet provides a measure of service efficiency and effectiveness should be considered by the involved agencies.

Section I

Introduction – Initial Review of RTPA Functions

The Santa Cruz County Regional Transportation Commission (RTC, Commission) retained the firm Michael Baker International to conduct its Transportation Development Act (TDA) performance audit covering the most recent triennial period, fiscal years (FY) 2015–16, 2016–17, and 2017–18. As a Regional Transportation Planning Agency (RTPA), the RTC is required by California Public Utilities Code (PUC) Section 99246 to prepare and submit an audit of its performance on a triennial basis to the California Department of Transportation (Caltrans) in order to continue to receive TDA funding.

This performance audit, as required by TDA, is intended to describe how well the RTC is meeting its obligations under TDA.

Overview of RTC

The RTC is responsible for delivering a full range of safe, convenient, reliable, and efficient transportation choices for the community. With a focus on long-term sustainability, the RTC plans, funds, and implements transportation projects and services. Working together with transportation partners, the RTC secures funding to maintain the existing transportation network as well as prepare for the transportation needs of the next generation. The RTC keeps residents, visitors, and businesses moving wherever they want to go and however they choose to get there.

The RTC was originally created in 1972 by statute establishing RTPAs. The agency later became a State-designated transportation planning agency under State Government Code Sections 67940 and 67941. The RTC comprises 12 voting members plus an ex officio member. Consistent with law, the governing body is composed of all five members of the Santa Cruz County Board of Supervisors, one member for each of the cities in the county (Capitola, Santa Cruz, Scotts Valley, and Watsonville), and three members appointed by the Santa Cruz Metropolitan Transit District (Santa Cruz METRO). An alternate member may serve in the place of the regular member when the regular member is absent or disqualified from participating in a meeting of the governing body. A representative from Caltrans serves as an ex officio, non-voting member of the Commission.

State legislative approval of Senate Bill 465 in 2002 provided additional powers to the RTC to act as a Rail/Trail Authority. Government Code Section 67941 added powers of eminent domain and the power to preserve, acquire, construct, improve, and oversee multimodal transportation projects and services on rail rights-of-ways within Santa Cruz County in any manner that facilitates recreational, commuter, intercity, and intercounty travel. It also provides authority to the RTC to contract for any services to accomplish its purpose.

The RTC is guided by its published *Rules & Regulations*, updated in August 2017, specifying its membership requirements and procedures for administering various funding sources. Among them are the procedures for establishing and processing TDA apportionments, which are a major funding source for RTC operations and multimodal transportation including transit operations and pedestrian and bicycle projects. Funds are established to account for funds which are restricted for a specific project or use. Separate funds are established for programs including: Administration, Planning & Rideshare; Rail/Trail Authority; Highway 1 Project Approval/Environmental Documentation; Service Authority for Freeway Emergency (SAFE); Freeway Service Patrol (FSP); RSTP Exchange; State Transit Assistance; and TDA.

Santa Cruz County is located in the Central Coast region of California and forms the northern portion of Monterey Bay. The county is bordered by Santa Clara County to the east and northeast, Monterey County to the south, San Benito County to the southeast, and San Mateo County to the north. Established in 1850, the county was one of the original counties in California; the county’s name means “holy cross” in Spanish. It has the second smallest geographic area of any county in California after the City and County of San Francisco. A demographic snapshot of key cities and the county is presented in Table I-1.

**Table I-1
Santa Cruz County Demographics**

| City/Jurisdiction | 2010 US Census Population | Change from 2000 US Census (percentage) | Population 65 Years & Older (percentage) | 2019 California DOF Estimates | Land Area (in square miles) |
|--------------------------------|----------------------------------|--|---|--------------------------------------|------------------------------------|
| Capitola | 9,918 | -0.6% | 15.5% | 10,240 | 1.59 |
| Santa Cruz | 59,946 | +9.8% | 8.8% | 65,807 | 12.74 |
| Scotts Valley | 11,580 | +1.7% | 13.6% | 12,082 | 4.60 |
| Watsonville | 51,199 | +11.9% | 8.3% | 53,021 | 6.69 |
| Unincorporated Area | 129,739 | -3.1% | 12.7% | 133,721 | 419.55 |
| Total Santa Cruz County | 262,382 | +2.6% | 11.1% | 274,871 | 445.17 |

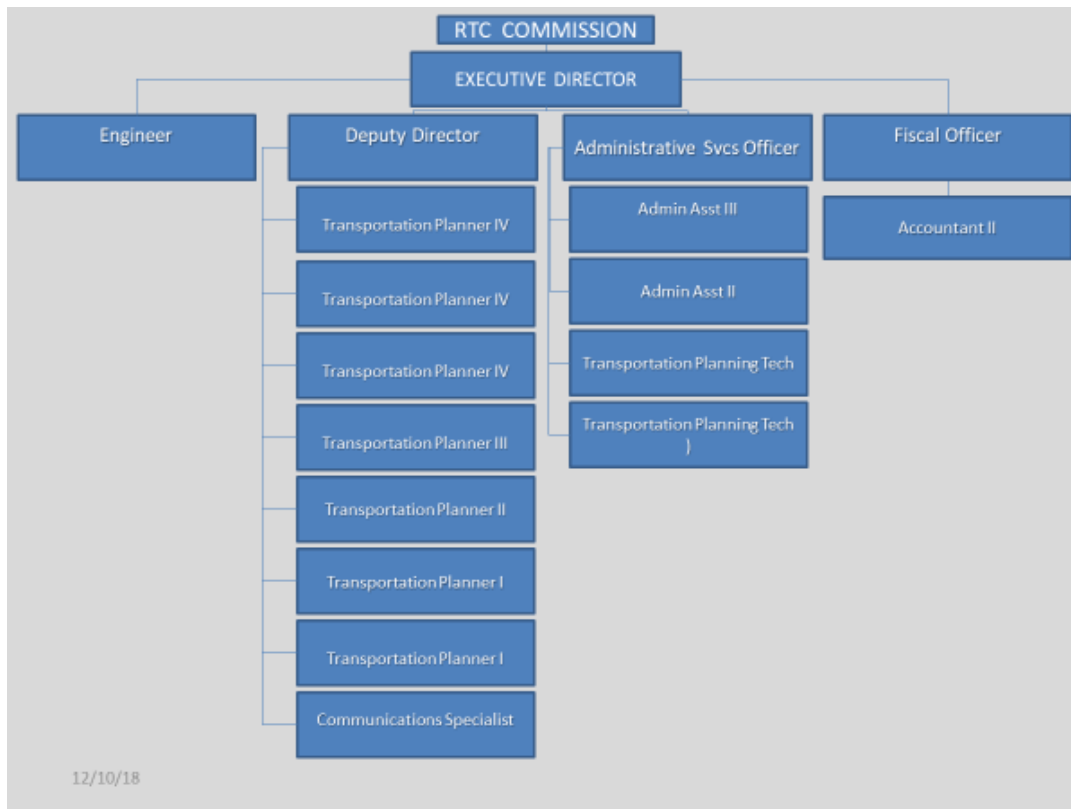
Source: 2010 US Census; California Department of Finance 2019 Population Estimates

The City of Santa Cruz is the county seat and the largest city in the county. The county and its four incorporated cities saw modest growth between 2000 and 2010, as recorded in the US Census for each of those years. Watsonville had the highest percentage increase in population. The senior citizen population, comprising residents aged 65 and over, is 11.1 percent countywide. The 2019 population for Santa Cruz County is estimated to be 274,871, as reported by the California Department of Finance.

Organizational Structure

RTC staff offer administrative, technical, and policy recommendations to the Commission on decisions affecting transportation. Figure I-1 shows the current organization chart of staff.

Figure I-1 RTC Organization Chart



Source: RTC

RTC meetings are generally televised on Community TV and include a full agenda on a wide range of topics. Transportation Policy Workshop meetings offer a forum for more informal and in-depth discussion on a limited set of agenda topics. The workshop meets on the third Thursday at 9:00 a.m. as needed.

In addition to the governing board, there are a number of committees and a task force. Each is briefly described below:

- Budget, Administration & Personnel Committee
- Elderly & Disabled Transportation Advisory Committee (E&D TAC)
- Bicycle Advisory Committee
- Interagency Technical Advisory Committee (ITAC)
- Measure D Taxpayer Oversight Committee
- Traffic Operations System Oversight and Safe on 17 Task Force

The Budget, Administration & Personnel Committee provides oversight with respect to Commission administration, budget, policy, finance, audit, and personnel issues and makes recommendations to the RTC on these matters. The committee consists of six commissioners elected annually by the RTC. The committee elects a chair each year. The committee meets at least once a quarter.

The E&D TAC serves as the Paratransit Advisory Council and the Social Services Transportation Advisory Council (SSTAC) required by TDA statute. The E&D TAC advises the RTC and other transportation agencies on the network of specialized transportation services for seniors and people with disabilities in Santa Cruz County, as well as about the transportation needs of these members of the community. In its capacity as the local SSTAC, the State-required entity seeks input from transit-dependent and transit-disadvantaged persons, including seniors, people with disabilities, low-income persons, and youth regarding transit needs in Santa Cruz County. The E&D TAC has 15 members comprising citizen, service provider, and agency representatives. The minimum membership for the SSTAC is nine; however, the Commission exceeds this participatory amount by including individuals representing elderly and/or disabled interests from each of the five supervisory districts, and a representative from Santa Cruz METRO. The E&D TAC meets the second Tuesday of every even-numbered month at 1:30 p.m. One meeting annually is scheduled at an appropriate location outside of the City of Santa Cruz and in proximity to a major transit route.

The Bicycle Committee serves in an advisory capacity to the RTC and its member agencies on bicycle-related issues, policies, plans, programs, and projects. Its responsibilities include advising on bicycle-related issues; reviewing proposed bicycle-related policies, programs, projects, plans, funding applications, and legislation; providing input on existing roadway/bikeway conditions affecting cycling; reviewing and approving Bikes Secure (bike parking subsidy) applications; developing bike projects for future implementation; and coordinating with local jurisdictions and bicycle-related organizations to promote cycling projects and programs. The 11-member committee comprises volunteers representing each of the five supervisorial districts, each of the four cities, Bike to Work, and the Community Traffic Safety Coalition. The committee meets the second Monday of every other month, or as needed, from 6:00 p.m. to 8:30 p.m. The time may be changed by the committee with a majority vote.

The ITAC comprises staff from a variety of jurisdictions and agencies. The ITAC reviews and provides technical advice on transportation projects and programs in the region; coordinates and provides recommendations to the RTC on the use of transportation funds; and serves as a forum for sharing information on transportation projects and federal and state requirements for project implementation. There are 16 voting members and ex officio members drawing from agencies including City and County Public Works staffs; City and County Planning staffs; Santa Cruz METRO; Caltrans District 5; the Association of Monterey Bay Area Governments; the Monterey Bay Air Resources District (ex officio member); transportation management associations; the University of California, Santa Cruz; Cabrillo College (ex officio member); and

the California Highway Patrol (CHP; ex officio member). The ITAC meets on the third Thursday of the month at 1:30 p.m., or as needed.

The Measure D Taxpayer Oversight Committee reviews the annual independent fiscal audits of the expenditures of local Measure D, the 30-year countywide one-half cent transportation sales tax that was approved by Santa Cruz County voters in November 2016. The committee is tasked with releasing an annual report on its findings regarding compliance with the requirements of the Measure D Expenditure Plan and the Ordinance. Per the voter-approved ordinance, the total membership of the committee shall not exceed five members, each one a non-elected official selected from each of the five supervisorial districts in the county to ensure good geographical representation.

The Traffic Operations System Oversight and Safe on 17 Task Force meets jointly to share information about traffic operation systems in Santa Cruz County and about transportation projects and collisions on Highway 17. The task force meets regularly and is composed of staff from various entities across jurisdictional lines to help ensure coordination and collaboration and improved safety and also to help improve communication amongst the participating entities and with the public. The Highway 17 corridor was identified as a high collision corridor in 1998 as a result of collision data analysis and recommendations of local, regional, county, and state agencies. A task force was formed to develop collision-reducing strategies. Also, Santa Cruz County's transportation system runs more efficiently and safely due to several Traffic Operations System components that provide the public with important information. Members represent the RTC, the San Francisco Bay Area's Metropolitan Transportation Commission, CHP, Caltrans, local law enforcement and fire departments, legislators' offices, and the media.

Audit Methodology

To gather information for this performance audit, Michael Baker accomplished the following activities:

- **Document Review:** Conducted an extensive review of documents including various RTC files and internal reports, committee agendas, and public documents.
- **Interviews:** Conducted in-person interviews with RTC staff and telephone interviews with Commissioners. In-person interviews were also held with the transit operators, including Santa Cruz METRO, to gain their perspectives about the agency's efficiency and economy.
- **Analysis:** Evaluated the responses from the interviews as well as the documents reviewed about the RTC's responsibilities, functions, and performance to TDA guidelines and regulations.

All the activities described above were intended to provide information necessary to assess RTC's efficiency and effectiveness in two key areas:

- Compliance with state TDA requirements
- Organizational management and efficiency

The remainder of this report is divided into four sections. In Section II, Michael Baker reviews the compliance requirements of the TDA administrative process. Section III describes the RTC's responses to the recommendations in the previous performance audit. In Section IV, Michael Baker reviews the RTC's functions in detail, while Section V summarizes our findings and recommendations.

Section II

Compliance Requirements

Fourteen key compliance requirements are suggested in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, which was developed by Caltrans to assess transit operators' conformance with the TDA. Our findings concerning the RTC's compliance with state legislative requirements are summarized in Table II-1.

| TABLE II-1 RTC Compliance Requirements Matrix | | |
|---|---|---|
| RTC Compliance Requirements | Reference | Compliance Efforts |
| All transportation operators and city or county governments which have responsibility for serving a given area, in total, claim no more than those Local Transportation Fund (LTF) monies apportioned to that area. | Public Utilities Code, Section 99231 | The RTC <i>Rules & Regulations</i> manual, which was revised in August 2017, specifies the requirements for apportionments. The primary claimant of the funds is Santa Cruz METRO. Other transit allocations are made to the City of Santa Cruz acting on behalf of Community Bridges and Volunteer Center for transit services. Allocations are also made to local jurisdictions for other uses including pedestrian and bicycle projects. Conclusion: Complied. |
| The RTPA has adopted rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles. | Public Utilities Code, Sections 99233.3 and 99234 | The RTC <i>Rules & Regulations</i> specifies the requirements for uses of LTF for pedestrian and bicycle projects. According to the document, rather than allocating under Article 3 (PUC Section 99233.3) which has funding allocation limitations for these uses (2 percent of the County's allocation), the RTC allocates funds under Article 8 of the TDA. An eligible claim for Article 8 includes planning and investment in pedestrian and bicycle facilities. Conclusion: Complied. |
| The RTPA has established a social | Public Utilities Code, | The RTC has established an SSTAC |

**TABLE II-1
RTC Compliance Requirements Matrix**

| RTC Compliance Requirements | Reference | Compliance Efforts |
|---|---|--|
| <p>services transportation advisory council. The RTPA must ensure that there is a citizen participation process which includes at least an annual public hearing.</p> | <p>Sections 99238 and 99238.5</p> | <p>required under PUC Section 99238. The roles and responsibilities of the 15-member E&D TAC, which serves as the SSTAC, are based on TDA guidelines. Additional members beyond the required positions include a member from Santa Cruz METRO and a represent from each county supervisorial district.</p> <p>Based on the member list on the RTC website, the committee has two vacancies (social service provider for the County-seniors and social service provider for the County-disabled) of the required positions. This is an improvement from the prior audit period in which there were four vacancies. The RTC has an application form available on its website to help fill the vacancies. A quorum is seven members, if all positions are full. Quorum is determined by the number of filled positions.</p> <p>Conclusion: Complied.</p> |
| <p>The RTPA has annually identified, analyzed and recommended potential productivity improvements which could lower the operating costs of those operators which operate at least 50 percent of their vehicle service miles within the RTPA’s jurisdiction. Recommendations include, but are not limited to, those made in the performance audit.</p> <ul style="list-style-type: none"> • A committee for the purpose of providing advice on productivity improvements may be formed. | <p>Public Utilities Code, Section 99244</p> | <p>The RTC actively monitors the activities of the transit systems in the county through various methods including reviewing quarterly and annual performance reports that are submitted by the operators. While a committee for the purpose of advising on productivity improvements is not formed, the E&D TAC, which includes Santa Cruz METRO as a member, also provides a venue for RTC discussion on transit activities and improvements.</p> <p>Through the commission of the triennial performance audit by the RTC, recommendations are made to</p> |

**TABLE II-1
RTC Compliance Requirements Matrix**

| RTC Compliance Requirements | Reference | Compliance Efforts |
|--|--|---|
| <ul style="list-style-type: none"> The operator has made a reasonable effort to implement improvements recommended by the RTPA, as determined by the RTPA, or else the operator has not received an allocation which exceeds its prior year allocation. | | <p>improve the efficiency and economy of the transit systems. Santa Cruz METRO’s Short-Range Transit Plan and Comprehensive Operations Analysis provide further areas for productivity improvements. Also, the annual TDA claims administered by the RTC present areas of improvement by transit, including progress in meeting performance goals and measures.</p> <p>Furthermore, each of the transit systems provides performance measures to the RTC on a quarterly and annual basis.</p> <p>Conclusion: Complied.</p> |
| <p>The RTPA has ensured that all claimants to whom it allocates Transportation Development Act (TDA) funds submits to it and to the state controller an annual certified fiscal and compliance audit within 180 days after the end of the fiscal year (December 27). The RTPA may grant an extension of up to 90 days as it deems necessary (March 26).</p> | <p>Public Utilities Code, Section 99245</p> | <p>Annual certified fiscal and compliance audits were completed for the transit claimants, including for Santa Cruz METRO and for City of Santa Cruz acting as the claimant for Community Bridges and Volunteer Center. For FYs 2016, 2017, and 2018, the annual financial audits were submitted within the 180-day period, in December each year.</p> <p>Conclusion: Complied.</p> |
| <p>The RTPA has designated an independent entity to conduct a performance audit of operators and itself (for the current and previous triennium). For operators, the audit was made and calculated the required performance indicators, and the audit report was transmitted to the entity that allocates the operator’s TDA monies and to the RTPA within 12 months after the</p> | <p>Public Utilities Code, Sections 99246 and 99248</p> | <p>For the current three-year period, the RTC retained Michael Baker International to conduct the audit of the RTPA and the Santa Cruz County transit operators. Michael Baker International was retained to conduct the previous audit for the three fiscal years that ended June 30, 2015. Caltrans and RTC have granted extensions for submittal of the audits.</p> |

| TABLE II-1 RTC Compliance Requirements Matrix | | |
|--|---|--|
| RTC Compliance Requirements | Reference | Compliance Efforts |
| end of the triennium. If an operator's audit was not transmitted by the start of the second fiscal year following the last fiscal year of the triennium, TDA funds were not allocated to that operator for that or subsequent fiscal years until the audit was transmitted. | | Conclusion: Complied. |
| The RTPA has submitted a copy of its performance audit to the Director of the California Department of Transportation. In addition, the RTPA has certified in writing to the Director, that the performance audits of the operators located in the area under its jurisdiction have been completed. | Public Utilities Code, Section 99246(c) | The RTC submitted a written letter to Caltrans requesting an extension of the prior performance audit. The performance audit was submitted to Caltrans following its completion. Conclusion: Complied. |
| The performance audit of the operator providing public transportation service shall include a verification of the operator's operating cost per passenger, operating cost per vehicle service hour, passengers per vehicle service mile, and vehicle service hours per employee, as defined in Section 99247. The performance audit shall include, but not be limited to, consideration of the needs and types of passengers being served and the employment of part-time drivers and the contracting with common carriers of persons operating under a franchise or license to provide services during peak hours, as defined in subdivision (a) of Section 99260.2 | Public Utilities Code, Section 99246(d) | The performance audit of the Santa Cruz County transit operators includes all required elements. Conclusion: Complied. |

**TABLE II-1
RTC Compliance Requirements Matrix**

| RTC Compliance Requirements | Reference | Compliance Efforts |
|--|---|---|
| <p>The RTPA has established rules and regulations regarding revenue ratios for transportation operators providing services in urbanized and new urbanized areas.</p> | <p>Public Utilities Code, Section 99270.1 and 99270.2</p> | <p>According to the previous <i>RTC Rules & Regulations</i>, Santa Cruz METRO was subject to a farebox recovery ratio of 15 percent. This requirement was changed from passage of Senate Bill 508 in October 2015. RTC updated its <i>Rules & Regulations</i> in 2017 with new language that Santa Cruz METRO is subject to farebox recovery ratios as set forth by state law.</p> <p>Beginning in FY 2016-17, state law set urban farebox at 20 percent and rural farebox at 10 percent. RTC local policy continues to require Santa Cruz METRO to show different ratios for urban and rural service.</p> <p>In the annual claims forms, Santa Cruz METRO separately reports its urban and rural farebox recovery ratios and has complied with meeting the respective ratios.</p> <p>In addition to farebox recovery, the annual financial audit for Santa Cruz METRO indicates that the agency meets the 50 percent expenditure limitation under the TDA (PUC 99268) in lieu of meeting the farebox recovery requirement.</p> <p>Whichever requirement applies to Santa Cruz METRO, either farebox recovery or 50 percent expenditure limitation, for LTF eligibility should be clarified between Santa Cruz METRO and the RTC. TDA law indicates only one of these two requirements applies (PUC 99268.2) if Santa Cruz METRO's claim for LTF remains below 50 percent of its operating costs.</p> |

| TABLE II-1 RTC Compliance Requirements Matrix | | |
|--|---|--|
| RTC Compliance Requirements | Reference | Compliance Efforts |
| | | Conclusion: Complied. |
| The RTPA has adopted criteria, rules and regulations for the evaluation of claims under Article 4.5 of the TDA and the determination of the cost-effectiveness of the proposed community transit services. | Public Utilities Code, Section 99275.5 | The RTC has not adopted rules and regulations for Article 4.5 claims, as the agency does not disburse any TDA funds under this article section. The consolidated transportation service agency (CTSA) in the county is Community Bridges, which receives TDA Article 8 funds through the City of Santa Cruz acting as the claimant on behalf of the transit system. Likewise, Volunteer Center also receives Article 8 transit funds through the City of Santa Cruz. Conclusion: Not applicable. |
| State transit assistance funds received by the RTPA are allocated only for transportation planning and mass transportation purposes. | Public Utilities Code, Sections 99310.5 and 99313.3 and Proposition 116 | The RTC allocates State Transit Assistance (STA) funds to Santa Cruz METRO for transit purposes. RTC may also allocate this portion of STA for community transportation services. Conclusion: Complied. |
| The amount received pursuant to Public Utilities Code, Section 99314.3; by each RTPA for state transit assistance is allocated to the operators in the area of its jurisdiction as allocated by the State Controller's Office. | Public Utilities Code, Section 99314.3 | The RTC allocates operator revenue-based STA funds to Santa Cruz METRO in accordance with the amounts published by the State Controller's Office. Conclusion: Complied. |
| If TDA funds are allocated to purposes not directly related to public or specialized transportation services, or facilities for exclusive use of pedestrians and bicycles, the transit planning agency has annually: <ul style="list-style-type: none"> • Consulted with the Social | Public Utilities Code, Section 99401.5 | As no TDA is used for streets and roads, the RTC is not required to hold a formal unmet transit needs process under PUC Section 99401.5. However, the RTC continues to obtain input on potential transit needs from the community. The RTC works through the E&D TAC and cooperatively with Santa Cruz METRO for this process in which an Unmet |

**TABLE II-1
RTC Compliance Requirements Matrix**

| RTC Compliance Requirements | Reference | Compliance Efforts |
|--|---|---|
| <p>Services Transportation Advisory Council (SSTAC) established pursuant to Public Utilities Code, Section 99238;</p> <ul style="list-style-type: none"> • Identified transit needs, including: <ul style="list-style-type: none"> ○ Groups that are transit-dependent or transit disadvantaged, ○ Adequacy of existing transit services to meet the needs of groups identified, and ○ Analysis of potential alternatives to provide transportation services; • Adopted or re-affirmed definitions of “unmet transit needs” and “reasonable to meet;” • Identified the unmet transit needs and those needs that are reasonable to meet; Adopted a finding that there are no unmet transit needs that are reasonable to meet; or that there are unmet transit needs including needs that are reasonable to meet. <p>If a finding is adopted that there are unmet transit needs, these needs must have been funded before an allocation was made for streets and roads.</p> | | <p>Specialized Transportation/ Transit Needs List is developed by staff. During the annual public hearing, staff reports that the unmet needs list helps determine projects for funding when funding becomes available. The list is organized under general needs, paratransit needs, and transit needs and is prioritized within those categories. The transit needs process is addressed by the E&D TAC through development and review of a draft and final list. The Commission adopts the Unmet Specialized Transportation/Transit Needs List each spring following a public hearing.</p> <p>Conclusion: Complied.</p> |
| <p>The RTPA has caused an audit of its accounts and records to be performed for each fiscal year by the county auditor, or a certified public accountant. The RTPA must transmit the resulting audit report to the State Controller</p> | <p>California Administrative Code, Section 6662</p> | <p>The accounting firm of Moss, Levy & Hartzheim, LLP conducted the financial audit of the RTC for FYs 2016, 2017, and 2018. The Audited Financial Statements and Compliance Reports were submitted to the State Controller within 12 months of the</p> |

| TABLE II-1 RTC Compliance Requirements Matrix | | |
|--|-----------|--|
| RTC Compliance Requirements | Reference | Compliance Efforts |
| within 12 months of the end of each fiscal year and must be performed in accordance with the Basic Audit Program and Report Guidelines for California Special Districts prescribed by the State Controller. The audit shall include a determination of compliance with the transportation development act and accompanying rules and regulations. Financial statements may not commingle the state transit assistance fund, the local transportation fund, or other revenues or funds of any city, county or other agency. The RTPA must maintain fiscal and accounting records and supporting papers for at least four years following the fiscal year close. | | <p>end of each fiscal year.</p> <p>The RTC also maintains fiscal and accounting records and supporting papers for at least four years following the fiscal year close.</p> <p>Conclusion: Complied.</p> |

Findings from RTPA Compliance Requirements Matrix

The RTC has satisfactorily complied with applicable state legislative mandates for RTPAs. One compliance measure that did not apply to the RTC pertains to adopting rules and regulations for TDA claims under Article 4.5. The RTC does not use this article section to disburse TDA funds. Rather, the CTSA (Community Bridges) receives TDA funds through the City of Santa Cruz as the claimant for Article 8.

Despite no TDA funds being allocated for streets and roads, the RTC continues with an unmet transit needs process that involves obtaining public input and coordinating with the E&D TAC and Santa Cruz METRO to annually update the Unmet Specialized Transportation/Transit Needs List. The annual updating of the Unmet Specialized Transportation/Transit Needs List serves as a tool to identify and prioritize potential transit service and facility improvements throughout the county.

The RTC *Rules & Regulations* manual was updated in August 2017 and provides the documented guidance for TDA fund administration and distribution. The rules describe the processes necessary to ensure the proper sequence of actions that are taken and the eligibility

requirements for the claimants. Other components of the rules and regulations stipulate the flow of TDA apportionments that directly affect the budgeting for the RTC and its members.

The *Rules and Regulations* and TDA claims form show the qualifying criteria for the transit operators. One is for Santa Cruz METRO to meet the farebox recovery ratio. However, METRO's audited financial statements show Santa Cruz METRO meeting the 50 percent expenditure limitation under TDA while stating the agency does not use the alternative farebox recovery ratio. Santa Cruz METRO and RTC should discuss the applicability of each criteria and agree to which of the two should be used for compliance and eligibility for LTF. In addition, Santa Cruz Volunteer Center is subject to local match requirements for TDA. Budgets for the volunteer driver program show a local match would be provided by donations from riders, which are not enough for the 10 percent match. In lieu of a local match, RTC, the City of Santa Cruz, and Volunteer Center should discuss an alternative measure for LTF eligibility.

TDA funds for bicycle and pedestrian projects are allocated under Article 8, which is a statutory provision that follows transit allocations to METRO under Article 4. The allocations are made to support community programs such as the Community Traffic Safety Coalition, and Ride 'n Stride/Ecology Action's Walk Smart Program. Allocations are also made to the County and the cities for bicycle and pedestrian projects using a population formula after allocations are made to all other recipients of TDA funds.

Section III

Prior Triennial Performance Audit Recommendations

This chapter describes the RTC's response to the recommendations included in the prior triennial performance audit. Each prior recommendation is described, followed by a discussion of the agency's efforts to implement the recommendation. Conclusions concerning the extent to which the recommendations have been adopted by the agency are then presented.

Prior Recommendation 1

Include standard assurances form in TDA claims for transit.

Background: TDA claims for transit funding must ensure compliance with a series of provisions in the TDA statute. These standard assurances are typically listed in a checklist format in the TDA claims and should be reviewed and signed off by the transit claimant prior to submittal of the claim. The RTC, in turn, would verify compliance for each applicable measure prior to approving the claim for funding. Standard assurances include completion of the annual fiscal and compliance audit and State Controller's Reports, and compliance with the farebox recovery ratio.

Many of these standard assurances are featured in the compliance matrix section of the performance audit of the transit operators. In addition, a sample standard assurance checklist from another RTPA was included for reference in the appendix to the prior performance audit.

Actions taken by the RTC

The RTC's *Rules & Regulations* contains TDA claims procedures for all service modes that receive TDA funding. A checklist is provided toward the end of the TDA claim form entitled "Documentation to Include with Your Claim." All claims are required to have attached:

- A letter of transmittal addressed to the RTC executive director that attests to the accuracy of the claim and all its accompanying documentation; and
- Statement from the TDA-eligible claimant indicating its role and responsibilities.

In addition to the aforementioned, Article 8 Bicycle/Pedestrian Claims are required to include:

- Evidence of environmental review for capital projects.

All Transit and Specialized Transportation Claims (Santa Cruz METRO, CTSA, and Volunteer Center) are required to include:

- A copy of the operating and capital budgets for the coming fiscal year.
- Description of capital projects, including time frame over which project will be funded and implemented.
- Operating plan for current and upcoming activities – can be within project description.

Article 4 Transit Claims require:

- A certification from the CHP (completed within the last 13 months) indicating that the operator is in compliance with Section 1808.1 of the Vehicle Code.
- Other certifications.
- Written report of current and upcoming activities (per *RTC Rules & Regulations*).

Following this checklist, the local claimant certifies that the claim has been prepared in accordance with the RTC's budget, *Rules and Regulations*, and Caltrans TDA Guidebook. Although the claims checklist denotes important supporting documentation for inclusion with the claim, the Commission has yet to include the standard assurances check-off list with its claim form. As was explained in the prior performance audit, standard assurances are intended as an easy checklist for both the operator and RTC to confirm and sign off that major TDA provisions are met as a condition of receiving the funds such as completion of the annual fiscal and compliance audit and State Controller's Reports, and compliance with the farebox recovery ratio. Many of these standard assurances are featured in the compliance matrix section of the performance audit of the transit operators as a reference.

Conclusion

This recommendation has not been implemented and is carried forward for full implementation. It is noted that following the audit period Commission staff is reviewing the sample assurance form and making adjustments in alignment with the existing TDA claim for transit. RTC will ask the transit claimants to use the form starting in FY 2020-21.

Prior Recommendation 2

Update the RTC rules and regulations for new TDA legislation.

Background: The RTC updated its rules and regulations in 2014 in meeting a prior audit recommendation. Because of additional changes to the TDA legislation following the update, a number of new measures should be reflected in the rules and regulations. Among them are new TDA requirements created through passage of Senate Bill (SB) 508 in October 2015.

The legislation has several objectives, including simplifying fare recovery requirements, authorizing funding of bicycle and pedestrian safety education programs, and modifying STA qualifying criteria for operations. The RTC's rules and regulations should be updated to reflect

these changes and identify the responsible party for implementing the updates, such as the fiscal auditor or Santa Cruz METRO for the farebox recovery calculation. The RTC should also communicate these changes to the transit systems and determine what implication, if any, the changes might have on their respective transit operations.

Actions taken by the RTC

The Commission updated many areas in its rules and regulations during the audit period. The revised document, *Rules & Regulations*, was adopted by the Commission on August 17, 2017, and contains procedures for the apportionment and allocation of TDA under Articles 3, 4, and 8 that reflect the recent changes to TDA. These include changes to efficiency requirements of transit operators, to bike and pedestrian provisions, and to the State Transit Assistance program. In addition, the federal Fixing America's Surface Transportation (FAST) Act made some changes to federal funding programs. Changes made by SB 508 and the FAST Act are incorporated into the revised *Rules & Regulations*. Further changes to the *Rules & Regulations* may be appropriate in the near term for current proposals being made to the TDA statute. In addition, the RTC may want to incorporate some Measure D items such as bylaws for the Measure D oversight committee once they have been approved.

Conclusion

This recommendation has been implemented.

Section IV

Detailed Review of RTPA Functions

This section assesses in detail the RTC's functions and performance as an RTPA during this audit period. Using Caltrans's *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, the RTC's activities can be divided into the following activities:

- Administration and Management
- Transportation Planning and Regional Coordination
- TDA Claimant Relationships and Oversight
- Marketing and Transportation Alternatives
- Grant Applications and Management

Administration and Management

RTC staff is led by the executive director responsible for reporting to the Commission and facilitating the coordination of the transportation system in Santa Cruz County. Historically, the longevity of personnel at both the executive and professional staff levels has brought remarkable stability to the agency to address the various technical and policy issues. However, the Commission saw turnover in both its executive and professional staffing during and after the audit period. The Commission's long-time executive director retired in December 2018. A new executive director hired after the audit period was appointed and has led the agency since December 2018. There were eight staff departures during the audit period, including three senior-level planners. Six employees joined the agency during the period, including a senior engineer and two engineering interns. There were several additional departures and new hires subsequent to the audit period. The RTC's long-tenured fiscal officer left the agency at the end of March 2019 and a new Director of Finance and Budget was hired. In addition, a new Communications Specialist was hired with responsibility for media contact, public outreach, and community engagement to advance the agency's public voice on transportation. At the end of FY 2017-18, there were 17 full- and part-time employees representing 15.75 full-time equivalent positions.

The RTC retains a contract with the County for certain functions like legal, real estate, and treasury. Although the RTC does not employ a human resources officer, personnel management and other administrative functions are the responsibility of the administrative services officer. The agency contracts with vendors to offer health benefits and other coverage. Retirement benefits are provided through CalPERS including voluntary contribution to a 457 Deferred

Compensation Plan. Also, the RTC manages its own payroll using a web-based program. Staff evaluations are conducted for pay step increases until the employee reaches the maximum step.

Two employee unions are recognized: the RTC Association of Middle Managers representing four managers, and Service Employees International Union (SEIU) Local 521 representing planners, an accounting technician, and administrative employees. The SEIU contract, which expired in March 2015, was further extended to March 31, 2018, with provisions including cost of living increases and contributions to pensions. Effective April 2016, employees pay their full share of contributions to their retirement plans. As an equity offset, special provisions in the memorandum of understanding (MOU) provided that each step in the salary range for all employees is increased by a certain percentage in April 2015 and in April 2016. The MOU further included that the RTC and SEIU agree to postpone conducting a joint compensation study until the fall of 2017. It is noted that after the audit period a compensation study was completed and labor agreements were negotiated which implement the compensation study and expire on March 31, 2021.

Each year, the RTC produces an annual work program in consultation with Caltrans along with the annual budget; it also makes amendments to the work program throughout the year as necessary. The work program guides the allocation of staff resources to meet mandated responsibilities as well as RTC priorities for the coming year. Key information for each work element is described including financial data, project description, proposed federal expenditure, previous project accomplishments, and timelines and deliverables.

Highlights of multimodal transportation initiatives and projects that the RTC has facilitated through its committees and partnerships that are either completed or underway during the audit period include the following:

Local Measure D

One of the major accomplishments during the audit period was the passage of Measure D, a 30-year countywide transportation one-half cent transactions and use tax, on November 8, 2016. Passage of the measure gives the RTC leverage in applying for other transportation-related funding from state and federal grant programs as well as providing funding for transit services, infrastructure, major capital projects, some of the backlog of local road maintenance, and to maintain and expand transportation for seniors and people with disabilities. The funding includes 20 percent of measure D funds to METRO (16 percent) and the CTSA (4 percent), as well as 8 percent to the preservation of railroad infrastructure. This significantly increases the amount of funds that are dedicated to transit services and infrastructure. Measure D generates an estimated \$20 million in revenues annually.

Santa Cruz County is now one of 24 self-help counties in California. The measure's implementation and expenditures are overseen by the Measure D Taxpayer Oversight Committee. The committee is composed of five members, who are non-elected officials. The

members are selected to represent each of the five supervisorial districts in the county to ensure good geographical representation. At least one of the members, the committee chair, is a certified public accountant. Measure D contains a maintenance of effort requirement supported by audited financial data.

As part of the measure implementation, in late 2019 the RTC initiated development of a strategic implementation plan for the measure that would also assess potential bonding opportunities. The 2020 Measure D Strategic Implementation Plan is intended to serve as the guiding policy and programming document for the implementation of regional Measure D projects. Included in the 2020 Strategic Implementation Plan are:

- Policies related to managing and expending sales tax revenues;
- Policies related to project delivery and management;
- Schedules and descriptions of programs and projects for the next five years;
- Financial planning strategies, including borrowing and investment approaches; and
- Project implementation requirements such as audit and reporting requirements.

Santa Cruz Branch Rail Line

The RTC acquired the Santa Cruz Branch Line from the Union Pacific Railroad in October 2012. The RTC is designated as a Rail/Trail Authority and construction management authority involved in engineering work to rehabilitate structures and award contracts for construction. Bridge rehabilitation construction work was completed for four bridges, including complete reconstruction of the La Selva Beach trestle. Also, the Commission secured a Caltrans transit planning grant to analyze the feasibility of commuter and/or intercity passenger rail service in the corridor and completed a Passenger Rail Feasibility Study in December 2015 through extensive community engagement.

The Commission is responsible for maintaining the portion of the right-of-way (ROW) outside of the railroad easement, which is defined as a 10-foot lateral width in each direction from the railroad centerline. Designations as a Rail/Trail Authority and construction management authority place the RTC in a unique role of evolving from a purely transportation planning agency to a project implementation agency offering multimodal transportation options. Internal goals and achievements must align with these multifaceted responsibilities, which the agency has exemplified through these large projects, among other functions. Challenges lie ahead, however, with regard to management of the rail corridor and its connectivity with the overall transportation network. The Rail/Trail Authority generates \$60,000 in lease revenues.

A preventative maintenance program for the Santa Cruz Branch Line Rail corridor was developed by RTC staff and implemented in March 2018. The maintenance program includes a process for responding to maintenance reports from the community or local jurisdictions, and guidelines for regular maintenance inspections for preventative maintenance efforts. RTC staff

procured on-call maintenance contractors for light civil/grading, vegetation control, encampment cleanup, no-trespassing signing installation, and graffiti abatement. In addition, the Commission adopted the Final Unified Corridor Investment Study in January 2019, which would involve collaboration with Santa Cruz METRO on an Alternatives Analysis for high capacity transit options on the rail ROW. The RTC received a Caltrans State Highway Account Grant for \$100,000, which will be applied toward the Alternatives Analysis.

Coastal Rail Trail

The Monterey Bay Sanctuary Scenic Trail Network is an RTC-proposed 50-mile bicycle and pedestrian trail project. The spine of the trail network is composed of the 32-mile Coastal Rail Trail from Davenport to Watsonville, to build within or adjacent to the Commission-owned Branch Rail Line ROW. Initiation of projects began following adoption of the award-winning Master Plan, a document that serves as the guiding blueprint for the project's implementation. Thirteen miles of projects are in various stages of development and have been funded in full or in part.

The Commission is working with Central Federal Lands to implement a 7.5-mile north coast rail trail project for which a Federal Lands Access Grant had been awarded, with matching funds provided by the Land Trust of Santa Cruz County, the California Coastal Conservancy, and the Commission. A request for proposals for consultant services was released, and a team was selected to develop the environmental impact report in FY 2017-18. The environmental report was certified in March 2019 and the RTC is now working with Central Federal Lands to complete the final design.

Highway 1 Auxiliary Lanes

The Commission has been involved in the management and completion of a series of auxiliary lanes on Highway 1. The lanes extend the weaving and merging distance between the ramps and improve traffic flow by providing greater separation between vehicles entering and exiting the freeway from mainline traffic. In 2003, work began on the project approval/environmental documentation phase of the Highway 1 Corridor Investment Program. The RTC has been the construction manager for this project with the assistance of an engineering consultant and partnership with Caltrans.

The benefits of the RTC assuming construction management authority have included direct involvement in critical decisions regarding the project, proactive construction management approach, development of locally beneficial and lasting ancillary transportation components, and local accountability and community relations. During the audit period, the Commission has been focused on the environmental review and design of auxiliary lanes on Highway 1 between 41st Avenue and Soquel Drive with a pedestrian and bicycle overcrossing at Chanticleer Avenue.

The RTC awarded a contract to a professional engineering consultant to prepare the plans, specifications, and estimate (PS&E) package for the Highway 1 auxiliary lanes project. Measure

D funds were used to expedite the delivery of this project by advancing the PS&E phase concurrent with the environmental phase.

Bus on Shoulder Feasibility Study

Increased levels of traffic congestion along the Highway 1 corridor have prompted the consideration of multimodal alternatives. Monterey-Salinas Transit (MST) approached Caltrans about the possibility of studying bus operations on the shoulders of Highway 1. Assembly Bill 946 (Stone) was passed in 2013 allowing Monterey and Santa Cruz Counties to operate buses on shoulders. The Commission participated in the Bus on Shoulder Feasibility Study, which evaluated the feasibility of operating buses on the shoulder of Highway 1 in Santa Cruz County. The feasibility study was completed in June 2018 and concluded that operating buses on the outside shoulders of Highway 1 is feasible and cost effective if implemented with the already planned auxiliary lanes projects on Highway 1. RTC staff has been working with Santa Cruz METRO, Caltrans, and CHP on an implementation strategy for the bus on shoulder project. A Concept of Operations document was released in May 2019, which provides the framework for the design, implementation, and operation of the facility.

Other multimodal transportation projects that the RTC has facilitated through its committees and partnerships that are either completed or underway during the audit period include:

- San Lorenzo Valley Highway 9 Corridor
- Branciforte Creek Bike/Ped Bridge, Santa Cruz
- Mt. Hermon Road/Scotts Valley Drive/Whispering Pines Drive Intersection Modifications, Scotts Valley
- Glen Canyon Road/Green Hills Road/S. Navarra Drive Bike Corridor and Roadway Preservation
- Airport Boulevard Improvements (Freedom Boulevard to Watsonville city limits)
- Freedom Boulevard Reconstruction (Broadis Street to Alta Vista Avenue)
- Sidewalk Infill Harkins Slough Road and Main Street, Watsonville
- Aptos Village Improvements
- Twin Lakes Beachfront (5th Ave to 7th Ave)
- ParaCruz van replacement
- Open Streets Watsonville

Progress by the RTC is made through active support of the Commissioners. Regular monthly Commission meetings are held and are well attended by the Commissioners, based on the auditor's review of meeting minutes during the audit period. This is an indication of the

education, interest, and engagement by the Commissioners on transportation topics. Transportation Policy Workshops are also held to focus in-depth on specific items. Meeting locations are alternated among each of the four cities to encourage participation by the communities and enhance the visibility of the RTC to the community.

Telephone interviews with Commissioners provided overall high ratings for staff and activities undertaken during the audit period. Highlights from the interviews include:

- RTC staff is professional, focused, and responsive. An attribute in the hiring of the new executive director was enabling greater transparency with Commission functions.
- Board representation has been adequate and more inclusive with the South County having more of a voice. The RTC has focused on efforts that provide more opportunity to obtain more input from South County residents.
- The Commission has become more project driven and is better able to anticipate issues on potential construction challenges.
- While Commission votes are not always unanimous, the RTC works on issues through rigorous technical and policy explanations.
- Relations have been close between the Commission and Santa Cruz METRO. RTC board members expressed need for further coordination between RTC and Santa Cruz METRO for accommodating multimodal alternatives on the rail corridor. The appointment of a designated liaison would be helpful in facilitating communication during the project.

Transportation Planning and Regional Coordination

Projects approved for funding by the RTC are included in the Santa Cruz County Regional Transportation Improvement Program (RTIP). The RTIP identifies projects programmed to receive various state and federal funds, amends information on previously programmed projects, and acts as Santa Cruz County's proposal to the California Transportation Commission (CTC) for programming State Transportation Improvement Program (STIP) funds. Federally funded transportation projects, including those projects approved for funding by agencies other than the RTC, are included in the Federal Transportation Improvement Program developed by the Association of Monterey Bay Association of Governments (AMBAG).

TDA revenues in the county increased during the audit period with an improving economy but were met by increased demands for the revenue to offset higher transit operating costs as well as from work programs undertaken by the Commission. Other state and federal funds for overall transportation activity were also carefully monitored. RTC management worked with the Commissioners to continue to fund programmed improvements.

During the audit period, the Commission adopted the 2016 RTIP following a public hearing at its December 2015 meeting. Since no new programming capacity was available for the 2016 STIP, the 2016 RTIP carried over projects from the 2014 RTIP. This was due to a projected decrease in

transportation revenues attributed to lowered gasoline excise tax rate by the State Board of Equalization, which went into effect on July 1, 2015. This further compounded fiscal challenges and resulted in a lack of funding capacity for projects programmed. Despite the funding shortfall, the 2016 RTIP was adopted in November 2015 for inclusion in the STIP. In December 2015, the RTC submitted its RTIP to the state as part of the 2016 STIP process. In January 2016, the CTC released its revised fund estimate, which forecasted lower than projected STIP revenues. The CTC deleted over \$750 million in projects that had previously been programmed funds and delayed most other projects for several years.

In response to this projected shortfall, RTC proposed to the CTC a shifting of funds for previously approved projects to later years. The Commission delayed 80 percent of previously approved funds. In May 2016, the CTC delayed additional projects and deleted funding designated for construction of one project in Santa Cruz County. At its March 2, 2017, meeting, the Commission approved amendments to its 2016 RTIP in order to maximize use of STIP funding available in FY 2017-18, which would program funds necessary to close out the construction contract for the Highway 1 Soquel-Morrissey Auxiliary Lanes Project.

With the passage of Senate Bill 1, new STIP funding was made available for programming for the first time since 2014. The 2018 STIP Fund Estimate identified Santa Cruz County's programming target for the five years of the 2018 STIP cycle (FY 2018-19 through FY 2022-23) as \$17,461,000. This funding is made up of \$9,279,000 in unprogrammed balances and reserves from prior STIP cycles and \$8,182,000 in the 2018 STIP Formula Share.

For programming of available transportation improvement program funds, the RTC holds a call for projects and hosts a workshop for applicants. The scoring of project applications includes linking scoring criteria to the Regional Transportation Plan (RTP) performance measure targets to achieve a balanced transportation system by mode and by geography. Project sponsors must follow state rules for environmental clearance and local matches. The TDA, as an example, is used as a local match for some transit and bicycle projects, while state toll credits can be used for federally funded projects. RTC staff maintain an Access database to track amendments submitted by project sponsors through letters to the Commission. A major amendment is required to go through the Commission's committees for review and approval. Staff conduct check-ins on the project sponsors about three times a year.

Regional Transportation Plan

For the audit period, the update to the RTP and corresponding environmental review was developed and adopted in June 2018. The draft 2040 RTP was available for public review and comment from December 8, 2017, to February 5, 2018. The RTP is incorporated into AMBAG's tri-county Metropolitan Transportation Plan/Sustainable Communities Strategy, which covers the counties of Santa Cruz, Monterey, and San Benito. The RTP's environmental impact report was developed by AMBAG. The 2040 RTP is required to conform to the mandates stipulated in California's Assembly Bill 32 and Senate Bill 375, which call for regions across California to reduce greenhouse gas emissions from cars and light trucks. The document is composed of an

executive summary, nine chapters, and associated appendices. Chapters address sustainability, the transportation network, travel patterns, vision and goals for 2040, funding, transportation investments, system performance, environmental and air quality, and emerging trends and opportunities. In addition, socioeconomic and demographic data were updated in the 2040 RTP.

Addressing all required elements including policy, action, and financial, the RTP is a comprehensive planning document that identifies the goals, projects, and programs that will maintain and improve the transportation system over the next 20 years. The financially constrained project list consists of approximately 220 projects that could be fully implemented and 120 projects that could be partially implemented over the time horizon of the RTP. The role of the RTP is to plan for a transportation system that will reduce the number of vehicle miles traveled through coordinated land use and transportation planning. The final plan reflects ideas, issues, and recommendations received from RTC committees, project sponsors, partner agencies, resource agencies, the public, and public interest groups at key milestones.

Public input is critical to the planning and decision-making process mandated by law. RTC staff conducted two years of extensive outreach in developing a vision for transportation in Santa Cruz County. As such, comments from a wide range of individuals, public interest groups, and local agencies were solicited during development of the plan. As outlined in the *2015 Public Participation Plan*, outreach for the RTP included a variety of public participation activities. The RTC's extensive public involvement process included public meetings, workshops, news releases, online and phone surveys, a plan website, social media engagement (Facebook, Twitter, and Nextdoor), radio and television interviews, and email notices to a broad range of over 1,000 individuals, groups, agencies, and stakeholders.

New for this RTP update was the increased usage of social media to inform the community on how to get involved in the long-range transportation planning process. The RTC featured numerous discussions about the RTP on the agency's Nextdoor social media platform, which reaches 77 neighborhoods, and on Facebook, which provided yet another avenue for getting information to the public. The public was able to review proposed projects in which the RTC conducted scoring to create a constrained funding project list and an unconstrained list for the plan.

A new and innovative tool, the Sustainable Transportation Analysis and Ratings System (STARS), was used to develop the 2014 RTP based on sustainability outcomes. This approach provided a framework for evaluating the RTP in terms of the triple bottom line of economy, environment, and healthy communities. The transportation plan's goals and policies incorporate STARS sustainability outcomes and will guide project selection for the short and long term.

The 2040 RTP includes the following key proposals based on available funding:

- Maintenance of the existing transportation network including roads, highways, bike lanes, sidewalks, and transit;

- Safety and operational improvements to SR 1, 9, 17, 129, and 152;
- Addition of auxiliary lanes on SR 1 between State Park Drive in Aptos and Soquel Drive;
- Bicycle and pedestrian crossings over SR 1 at Chanticleer and Mar Vista;
- Modifications to major arterial roads, including intersection improvements and bus, pedestrian, and bicycle facilities;
- Freeway Service Patrol along SR 1 and 17;
- Expanded bus service for high ridership routes to serve University of California, Santa Cruz, South County, and San José commuters;
- Transit queue jumps and high occupant vehicle signal priority; and
- Expansion of specialized transport services in response to projected increases in senior and disabled populations.

The RTC is the first RTPA to implement STARS, which is a performance-based process for developing, analyzing, rating, and comparing outcome-based transportation plans and projects. Developed by the Portland Bureau of Transportation, the North American Sustainable Transportation Council, and the RTC, STARS intends to improve transportation outcomes by certifying and rewarding performance and improving the triple bottom line of providing economic benefit, reducing petroleum use and greenhouse gases, and improving quality of life. As one of the visible partners for STARS, the RTC is providing an innovative tool to allow planners and project managers to compare alternatives based on performance, not modes, while guiding plans and projects to establish targets and evaluation strategies to achieve the targets.

The 2045 RTP, scheduled for adoption in 2022, will address autonomous vehicles and other emerging technologies as well as climate change issues.

TDA Claimant Relationships and Oversight

This functional area addresses the RTC's administration of the provisions of the TDA. As LTF allocated to claimants have been used for public transit or non-roadway purposes, state law does not require the RTC to undertake a formal unmet transit needs process. However, the RTC is recognized for continuing a process of soliciting and maintaining an annual prioritized transit needs list and working with its committees and Santa Cruz METRO. Unmet needs on the list are kept until they are implemented or removed. The E&D TAC endeavors to hold one unmet needs meeting per year in the City of Watsonville per the RTC Rules & Regulations to schedule an appropriate location outside of the City of Santa Cruz and in proximity to a major transit route. A public hearing is also held at a Commission meeting in Santa Cruz. The public hearing complies with the TDA statute that requires at least one public hearing in the citizen participation process (PUC Section 99238.5).

RTC Administration and Planning

The uses of TDA revenues apportioned to Santa Cruz County flow through a priority process prescribed in state law. The RTC is able to allocate LTF revenues for TDA administration and general planning. During the audit years of 2016 through 2018, the RTC claimed the amounts shown in Table IV-1.

**Table IV-1
LTF Claims by the RTC for
Administration and Planning**

| Fiscal Year | TDA Administration & Planning |
|--------------------|--|
| 2016 | \$1,181,350 |
| 2017 | \$1,250,637 |
| 2018 | \$1,284,747 |

Source: Annual RTC TDA apportionment

Based on the above table, in FY 2016, the amount shown for administration and planning equaled approximately 13.7 percent of total LTF (\$8,640,404). In FY 2017, the amount was 13.3 percent (out of \$9,417,753), and for FY 2018, the amount was 13.9 percent (out of \$9,252,675). TDA planning is used for three programs: (1) General Planning; (2) Bike to Work; and (3) Bike & Pedestrian Safety (Community Traffic Safety Coalition and Ride & Stride Program). The Bike to Work and Bike & Pedestrian Safety programs are claimed by the Commission under Article 8 for Ecology Action and the County of Santa Cruz Health Services Agency, respectively, in helping to support community-based bicycle and pedestrian operations. The two entities submit claims for review by the Commission for their programs, which have been supported by the RTC for many years. LTF allocations for these programs are matched by local funding sources.

LTF funds are allocated to eligible agencies including the RTC, Santa Cruz METRO for public transportation, the City of Santa Cruz as a pass-through for specialized transportation, and local jurisdictions for bike/pedestrian projects. The RTC has an existing adopted TDA reserve fund of at least 8 percent of the annual revenue estimate. Reserves are used due to a deficit in TDA revenues or a special allocation. This reserve fund can fluctuate in the RTC budget because it is dependent on carryover funds from one year to the next and it is used only to pay TDA recipients if revenues come in below estimates. The reserve is replenished, as the RTC rules and regulations indicate new allocations are to be made to the reserve fund as a first priority. The TDA reserve was replenished in FY 2016-17 in the amount of \$133,244 as shown in the annual apportionments.

TDA Claim Processing

On an annual basis during this audit period, the RTC was responsible for managing the apportionment of between \$8.6 and \$9.2 million in LTF revenues and up to \$3.67 million in STA funds.

TDA claims are generally submitted by applicants prior to the fiscal year of the claim. To its credit, the RTC uses a detailed TDA claim form that requires detailed past and budgeted information to support the claims. The TDA claim form is applicable to either an Article 4 or Article 8 claimant, and the instructions in the form direct which sections need to be completed. The information provided by claimants ensures that proper information is submitted to justify the TDA claim. Among the required data for transit claims is the status of implementing prior audit recommendations and financial performance metrics. The claim form also incorporates a checklist of materials for claimants to include for each type of claim, whether for Article 4 or Article 8, and for transit systems such as CHP inspection certification and operating and capital plans. The checklist creates uniformity in the claims process and ensures that adequate information is provided to substantiate the claim for TDA revenues. Pedestrian/bicycle claims and transit claims are reviewed by different technical staff versed in their respective expertise. The E&D TAC also participates in the claims review prior to approval by the Commission, generally in May. Quarterly payments are then made to the claimants.

In addition to the checklist of items to submit with the claim, other RTPAs require transit claimants to sign off on a standard assurances form to confirm compliance with different TDA measures. These measures include completion and submittal of the annual financial audit and State Controller's Reports, among other requirements. A prior performance audit recommendation was made for RTC to include a standard assurance form in the claim package. The appendix to this audit includes sample standard assurance forms for consideration by the RTC in enhancing the TDA claims process.

Rules & Regulations serves as an in-house TDA manual documenting the claims administration process by the RTC. Most recently updated in August 2017, the document provides guidance for TDA submissions but also describes the operating procedures for the Commission and for other funding programs such as the RTIP and STP exchange. The latest update included modifications to areas recommended in the prior performance audit, clarification in terminology, membership and voting, and eligible funding programs. The RTC may also elect to designate a portion of TDA revenues for research and/or demonstration projects based on specific evaluation criteria.

Transit Performance Monitoring

Each transit claimant provides performance measures to the RTC on a quarterly and annual basis, which are shared with the E&D TAC. The list of performance metrics slightly differs among the transit systems (Community Bridges, Volunteer Center, and Santa Cruz METRO) to reflect their system size and service modes. As several Commissioners also serve on Santa Cruz

METRO’s board, there is cross pollination of performance metrics review and regular monitoring of agendas. Documentation prepared by the transit systems shows their commitment to provide the information to the RTC as a condition of their receipt of TDA funds. The performance metrics for Santa Cruz METRO are listed in the TDA claims form and include those listed in Table IV-2.

**Table IV-2
Santa Cruz METRO Performance Measures**

| | |
|--|--|
| 1. Annual passengers | 16. Vehicle service hours/employee* |
| 2. Rides/passenger trips provided by type (student, senior, adult, pass holders, etc., or however stats are kept) and amount of TDA funds used for each type of ride | 17. Number of routes |
| 3. Annual service hours | 18. Average route length |
| 4. Passengers per vehicle service hour* | 19. Average travel times/rider |
| 5. Annual service miles | 20. Number of bus stops |
| 6. Number of fixed-route miles | 21. Number of vehicles in operation |
| 7. Service area – square miles | 22. Number of monthly bus passes in circulation |
| 8. Service area population | 23. Maximum vehicles in service at any time |
| 9. Passengers per vehicle service mile* | 24. Hours of service |
| 10. Average passengers per weekday | 25. Approximate number of unduplicated passengers |
| 11. Total operating costs in budget | 26. Cost per unit of service plus text about long range plans to make/keep this low |
| 12. Operating cost per vehicle service hour* | 27. Funds and percentage spent on administration/overhead/grantee allocation/etc. |
| 13. Total operating cost per passenger* | 28. Actual financials compared with budget |
| 14. Average farebox revenue per passenger (describe what is included) | 29. Actual number of rides provided compared with goal and text about whether goal was met and why/why not |
| 15. Number of FTE employees (all employees, not just drivers) | |

* Denotes TDA indicator

The performance indicators submitted by Community Bridges are shown in Table IV-3.

**Table IV-3
Community Bridges Performance Measures**

| | |
|---|--|
| 1. Unduplicated passengers per month | 10. Total operating cost per passenger* |
| 2. Total passenger trips (units of service) per month | 11. Total operating cost per vehicle service hour* |

| | |
|---|---|
| 3. Incidents per month | 12. Total passengers per vehicle service hour* |
| 4. Accidents per month | 13. Total passengers per vehicle service mile* |
| 5. Mechanical failures (including lift failure) per month | 14. Fare box recovery level* |
| 6. No-shows per month | 15. Van mileage per program |
| 7. Turndowns or referrals per month | 16. Percentage of rides performed by subcontractors |
| 8. Cancellations per month | 17. Percentage of shared trips/ average vehicle occupancy |
| 9. Donations per month | 18. Percentage of cancellations of total rides |

* Denotes TDA indicator

The performance indicators submitted by Volunteer Center are shown in Table IV-4.

**Table IV-4
Volunteer Center Performance Measures**

| | |
|------------------------------|--|
| 1. Number of rides provided | 7. Number of unduplicated passengers |
| 2. Trip destinations | 8. Number of requests for service |
| 3. Mileage claimed | 9. Number of turndowns |
| 4. Estimated mileage donated | 10. Reason for turndowns |
| 5. Estimated total mileage | 11. Number of active volunteers |
| 6. Average length of trip | 12. Geographic distribution of clients |

The RTC is able to track and monitor transit operator trends using the above data and review them at E&D TAC meetings as well as with the Commission. The E&D TAC reviews transit data quarterly. Performance data prepared by the smaller operators are also submitted to the City of Santa Cruz as part of the conditions of the City claiming TDA funds on behalf of the agencies. As was discussed in the transit operator performance audit for this cycle, Community Bridges has enhanced capability to report on-time performance of its service vehicles using installed technology. This data should be added to the above performance measures reported by Community Bridges as another gauge of operational effectiveness and customer service.

Marketing and Transportation Alternatives

The RTC's public outreach focus has been to communicate its mission more effectively while working in close coordination with local jurisdictions and stakeholders. Public outreach efforts also include Spanish language to engage the Spanish speaking community. The Commission hired a communications specialist in February 2018 to coordinate public outreach and

community engagement. The communications specialist is tasked with engaging local stakeholders, monitoring and posting to social media, and developing project fact sheets.

Public access and information about the RTC and its work is available through its home website (<https://sccrtc.org/>). The website was updated to be available in English and other languages using Google Translate. The website contains information about the agency's role in current transportation projects and programming, transportation plans (RTP, RTIP, etc.), Commission meeting agendas and minutes, newsletters and issues, transportation links, and library listing of past projects and studies. RTC staff also maintain an active email database of stakeholders and members of the community for electronic transmission of information. Social media engagement is conducted through Facebook and Twitter. Website metrics are tracked through Google Analytics.

The RTC has offered alternative transportation options since 1979. The beginning of the audit period saw the implementation of Cruz511. Cruz511 is an online, centralized, multimodal traveler information service. The service provides travelers with real-time traffic conditions including travel speeds, images from traffic cameras, and incident and construction notifications. In June 2015, Commute Solutions and 511 combined under the Cruz511 umbrella and one website (<http://cruz511.org/>) to reach more people and streamline operations. Cruz511 is managed by a transportation planner and the communications specialist works with the transportation planner on public outreach activities.

During the audit period, Cruz511 was further refined and streamlined to include programs such as real-time traffic alerts, links to the Caltrans QuickMap traffic conditions and CHP incident websites, a hotline providing information on local events, and a help desk where users can email inquiries. Grassroots initiatives have included Cruz511 In My Neighborhood, which is a neighborhood-focused, door-to-door outreach effort that makes contact with prospects three times. Cruz511 also provides information on Santa Cruz METRO service changes and a transit cost calculator. Additional features planned include automated vehicle locator feeds from Santa Cruz METRO and the ability to purchase transit passes online.

Contact information for Cruz511 staff is provided on the website which has grown both in size and in popularity. From this organic growth, clients can receive a customized plan including making trips on transit. For added benefit, the RTC has an MOU with the Bay Area Metropolitan Transportation Commission to partner in an expanded online travel matching service for 12 San Francisco Bay Area counties.

Along with the themes of using performance indicators to measure the impact of transportation choices, Cruz511 offers users the ability to calculate the cost of their commute. The site includes web links to several tools that measure this impact such as the true cost of driving calculator, a calculator to compare the price of using public transportation with the cost of driving, and a side-by-side comparison of the impacts of various vehicles in terms of gas mileage, greenhouse gas emissions, air pollution, and safety.

RTC has planned the launch of Ride Amigos in the spring of 2020, which is a two-year pilot program featuring carpool matching and trip planning services targeting area businesses, educational institutions, and government agencies. The program has a dedicated website (<https://rideamigos.com/>) featuring a toolbox of rideshare and commuter options as well as a blog and newsletter. The program also tracks performance measures for feedback on program success.

The Commission has been a conduit of funding to local community partners for alternative transportation campaigns. One such collaborative has been with Ecology Action, a local nonprofit that works with businesses in promoting sustainable practices and the reduction of carbon emissions. Through these partnerships, the RTC has provided grants in the amount of \$60,000 for Bike-to-Work Month and \$120,000 to the Traffic Safety Coalition. The RTC has also conducted outreach at the annual Santa Cruz County Fair in Watsonville and during Open Streets Santa Cruz events. The Commission ensures that Spanish language interpreters are available for outreach efforts in Watsonville.

Further, the RTC engages in intercounty coordination with Santa Clara County entities. The Commission has been involved in interline agreements between the Santa Cruz METRO Highway 17 Express and the Capitol Corridor Joint Powers Authority (Amtrak), Altamont Corridor Express, Caltrain, and the Santa Clara Valley Transportation Authority. Approximately 20 percent of Santa Cruz County's workforce commutes to Santa Clara County.

Grant Applications and Management

In Santa Cruz County, grant assistance and management are shared between the RTC and AMBAG, which serves as the federal metropolitan planning organization for the three-county areas of Santa Cruz, Monterey, and San Benito. AMBAG performs metropolitan-level transportation planning on behalf of the region. Among its many duties, AMBAG manages the region's transportation demand model and prepares regional housing, population, and employment forecasts that are used in a variety of regional plans. RTC and AMBAG relations have been positive in the coordination of activities that impact each of their respective planning and programming responsibilities.

RTC administers the Federal Transit Administration 5310 Program for enhanced mobility for seniors and people with disabilities including soliciting grant applications with the E&D TAC reviewing and scoring each submittal. The RTC approves the lists of projects. Committee members are invited to participate on the evaluation committee.

Local Measure D has allowed for the RTC to support specialized transportation services. Four percent of Measure D revenues are allocated to Community Bridges Lift Line which has allowed for service expansion. The Lift Line Dial-A-Ride Program replaced two gas-powered shuttles with two electric vehicle shuttles. Two Level 2 electric charging stations are also included in the procurement. The Commission allocated \$62,000 in Measure D funding toward the project.

Funding was also provided for Community Bridges to secure a permanent operations and maintenance facility in Watsonville.

During the audit period, Santa Cruz METRO was the only recipient in the county for state transit funds including Proposition 1B—the Transit System Safety, Security, and Disaster Response Account (TSSDRA) and the Public Transportation Modernization, Improvement, and Service Enhancement Account Program (PTMISEA), with the RTC passing all of these formula funds through to Santa Cruz METRO. Proposition 1B funds, along with other sources, have been used for construction of the new Santa Cruz METRO operations facility. Other capital support is provided for the bus stop improvement plan and conversion of fuel from diesel to liquefied natural gas. The RTC approves the relevant resolution used to pass the funds through.

RTC also works with Caltrans and its grant funding partners to obtain Caltrans planning grants for special studies. Provided that RTC staff have good grant writing experience, staff provide assistance to local agencies that require help and RTC sponsorship for eligibility. This assistance further promotes the good relations between the RTC and its member agencies.

Section V

Findings and Recommendations

The following summarizes the findings from the triennial audit covering FYs 2016 through 2018. A set of recommendations is then provided.

Findings

1. The RTC has satisfactorily complied with applicable state legislative mandates for RTPAs. One compliance measure that did not apply to the RTC pertains to adopting rules and regulations for TDA claims under Article 4.5. The agency does not disburse any TDA funds under this article section. Rather, the CTSA in the county receives TDA Article 8 funds through the City of Santa Cruz acting as the claimant on behalf of the paratransit/community transportation system.
2. The RTC has implemented one of the two prior performance audit recommendations. The recommendations pertained to the inclusion of a standard assurances form with the TDA claim submittal and update of the Commission's rules and regulations to account for recent changes in the TDA statute. The standard assurances form recommendation was not implemented and is being carried forward in this audit for full implementation. It is noted that following the audit period Commission staff is reviewing the sample assurance form and making adjustments in alignment with the existing TDA claim.
3. The Commission experienced changes in both its executive and professional staffing during and after the audit period. The Commission's long-time executive director retired from the agency in December 2018. A new executive director hired after the audit period was appointed and has led the agency since December 2018. Historically, the longevity of personnel at both the executive and professional staff levels has brought remarkable stability to the agency to address the various technical and policy issues.
4. One of the major accomplishments during the audit period was the passage of Measure D, a 30-year countywide transportation one-half cent transactions and use tax, on November 8, 2016. Passage of the measure gives the RTC leverage in applying for other transportation-related funding from state and federal grant programs as well as providing funding for transit services, infrastructure, major capital projects, some of the backlog of local road maintenance, and to maintain and expand transportation for seniors and people with disabilities. Santa Cruz County is now one of 24 self-help counties in California.
5. Several large projects were accomplished during the audit period, including the development of a preventative maintenance program for the Santa Cruz Branch Line Rail in March 2018, environmental review of auxiliary lanes on Highway 1 between 41st Avenue

and Soquel Drive with a pedestrian and bicycle overcrossing at Chanticleer Avenue, and participation in the Bus on Shoulder Feasibility Study that was completed in June 2018. Designations as a Rail/Trail Authority and construction management authority place the RTC in a unique role of evolving from a purely transportation planning agency to a project implementation agency offering multimodal transportation options.

6. Interviews with RTC Commissioners provided overall high ratings for staff and activities undertaken during the audit period. Management and staff are professional, focused, and responsive. The new executive director has been charged with developing new partnerships and approaches that enhance the transparent nature of Commission activities.
7. The 2040 RTP update and corresponding environmental review was developed and adopted in June 2018. The RTP identifies the goals, projects, and programs that will maintain and improve the transportation system over the next 20 years in a measured and sustainable manner. The RTC featured numerous discussions about the RTP on the agency's Nextdoor social media platform, which reaches 77 neighborhoods, and on Facebook, which provided yet another avenue for getting information to the public.
8. Despite no TDA funds being allocated for streets and roads, the RTC continues with an unmet transit needs process that involves obtaining public input and coordinating with the E&D TAC and Santa Cruz METRO to update the Unmet Specialized Transportation/Transit Needs List. The Commission also formally adopts the list in a sign of agreement. A public hearing is held annually in compliance with the law.
9. TDA claims submitted to the RTC are required to include detailed past and budgeted information to support the claims. The claims forms are reviewed by different Commission staff versed in their respective transportation expertise. Claims for transit and specialized transportation services, and claims for pedestrian improvements, are also reviewed by the E&D TAC. TDA claims for bicycle projects are reviewed by the Bicycle Advisory Committee.
10. The Commission's *Rules & Regulations* serves as an in-house TDA manual documenting the claims administration process by the RTC. Most recently updated on August 17, 2017, the document provides guidance for TDA fund claims. The latest update includes changes to efficiency requirements of transit operators, to bike and pedestrian provisions, and to STA provisions. Further changes to the *Rules & Regulations* may be appropriate in the near term for current proposals being made to the TDA statute.
11. RTC's public outreach focus has been to communicate its mission more effectively while working in close coordination with local jurisdictions and stakeholders. Public outreach efforts also include Spanish language to engage the Spanish speaking community. The Commission hired a communications specialist in February 2018 to coordinate public outreach and community engagement.

12. In June 2015, Commute Solutions and 511 combined under the Cruz511 umbrella and one website to reach more people and streamline operations. Alternative modes of travel are promoted and marketed, and Cruz511 has grown both in size and in popularity. A new on-line commuter management and ridesharing service is planned for launch. Growth in this program is consistent with the RTC's goals of planning for a multimodal transportation system.

Triennial Audit Recommendations

1. Include standard assurances form in TDA claims for transit.

This recommendation is being forwarded in this audit, since TDA claims for transit funding must ensure compliance with a series of provisions in the TDA statute. These standard assurances are typically listed in a checklist format in the TDA claims and should be reviewed and signed off by the transit claimant prior to submittal of the claim. The RTC, in turn, would verify compliance for each applicable measure prior to approving the claim for funding. Standard assurances include completion of the annual fiscal and compliance audit and State Controller's Reports, and compliance with the farebox recovery ratio/50 percent eligibility requirement.

TDA requirements are currently covered by the RTC's claim form and claim review process but the standard assurances forms adds a tool in the process to provide a useful summary and checklist. Many of these standard assurances are featured in the compliance matrix section of the performance audit of the transit operators. In addition, a sample standard assurance checklist is shown for reference in the appendix to this performance audit.

2. Make additional updates to the transit operator TDA process for consistency with the updated RTC rules and regulations.

RTC's revised rules and regulations manual outlines the changes made to the TDA process enacted by state legislation such as SB 508. Some of the changes also directly impact the content of the TDA claim form for transit which should be revised concurrently with the manual. For example, using the FY 2018 TDA claim form, Items #23 (Farebox Recovery Ratio) and #24 (FY 1978-79 ratios) applicable to Santa Cruz Metro should be consistent with the RTC rules and regulations and new state law. Specifically, for #23, additional exclusions from operating cost above the consumer price index for fuel, alternative fuel programs, power, insurance premiums and payments in settlement of claims, and state and federal mandates should be added in the footnotes in calculating urban/rural farebox recovery. For #24, the language should be deleted all together as the law eliminates the requirement for a separate ratio for FY 1978-79.

As an added measure, the quarterly TDA reports submitted by Community Bridges for Lift Line as described in the TDA claim form should include on-time performance of the service. Vehicle on-time arrival to pick up a passenger at the scheduled time is an important measure of operational effectiveness and customer service. The TDA claims submitted by Community Bridges describes the investment in automatic vehicle locator technology and mobile data computers that enable more automation in the tracking of vehicle movement. The technology allows the collection of accurate data such as on-time performance which should be on the list of performance metrics to include in the TDA quarterly report.

3. RTC and Santa Cruz METRO should clarify the performance eligibility criteria for TDA-Local Transportation Funds.

Article 4 of the TDA statute provides alternatives for Santa Cruz METRO to be eligible for TDA-Local Transportation Funds. One is for Santa Cruz METRO to meet the farebox recovery ratio. The other is to meet the 50 percent expenditure rule as an older operator, defined as service starting prior to 1974. Currently, Santa Cruz METRO meets both requirements but the documentation stating eligibility is not consistent. For example, the TDA claims form and resolution state that Santa Cruz METRO eligibility to receive LTF is from farebox compliance. However, its audited financial statements state Santa Cruz METRO meets the 50 percent expenditure limitation and does not use the alternative farebox recovery ratio. Historically, the amount of LTF allocated to Santa Cruz METRO has not exceeded 50 percent of operating expenditures; hence, either criteria applies. Farebox recovery is an important performance measure that gauges transit operational efficiency and effectiveness.

Santa Cruz METRO and RTC should discuss the applicability of each criteria and agree to which of the two meets compliance with rules and regulations for LTF. Currently, the adopting resolution allocating LTF from RTC to Santa Cruz METRO shows farebox recovery. Should the 50 percent expenditure criteria be applied instead, the TDA claims form and resolution should be adjusted. Should farebox remain the criteria, the Santa Cruz METRO audited financial statements should be modified to show audited farebox recovery rather than the 50 percent expenditure rule. This clarity will provide consistency in reporting of performance measures for LTF eligibility.

4. City of Santa Cruz, Volunteer Center, and RTC should discuss an alternative performance measure for TDA-Local Transportation Fund eligibility.

LTF are allocated to Volunteer Center under a performance standard that a 10 percent local match be provided by Volunteer Center. Budgets for the volunteer driver program show a local match would be provided by donations from riders, which are not enough for the 10 percent match. As the LTF revenue is claimed by the City of Santa Cruz on behalf of Volunteer Center through the TDA Article 8 program, the law provides latitude on the performance standard. In lieu of a local match, RTC, the City, and Volunteer Center should discuss an alternative measure for LTF eligibility. Among the possibilities include using goals set in the TDA claim form such as minimum ridership levels and number of unduplicated clients. Other data that is reported by Volunteer Center to RTC for which a performance standard could be created include minimum number of ride requests unable to fill, and maintenance of driver availability for clients in each of the three travel areas of Santa Cruz, San Lorenzo Valley/Scotts Valley, and Watsonville. Given that the current standard for local match cannot be met, another performance standard that is attainable yet provides a measure of service efficiency and effectiveness should be considered by the involved agencies.

Appendix A

Sample TDA Standard Assurances Checklist

STANDARD ASSURANCES FOR TRANSIT OPERATOR APPLICANTS

Claimant: _____

Fiscal Year: _____

1. CERTIFIED FISCAL AUDIT

Claimant certifies that it has submitted a satisfactory, independent fiscal audit, with the required certification statement, to (RTPA name) and to the State Controller’s Office, pursuant to PUC 99245 and CCR 6664 for the prior fiscal year (project year minus two). Claimant assures that this audit requirement will be completed for the current fiscal year (project year minus one). This requirement does not apply to new operators.

2. STATE CONTROLLER REPORT

Claimant certifies that it has submitted a State Controller’s report in conformance with the uniform system of accounts and reports, to (RTPA name) and to the State Controller, pursuant to PUC 99243, for the prior year (project year minus two). Claimant assures that this report will be completed for the current fiscal year (project year minus one). This requirement does not apply to new operators.

3. PART-TIME EMPLOYEES (STAF ONLY)

Claimant certifies that it is not precluded, by any contract, from employing part-time drivers or contracting with common carriers of persons operating under a franchise or license.

4. 50-PERCENT EXPENDITURE LIMITATION

Claimant filing a claim pursuant to PUC 99268 certifies expenditure of the funds may in no year exceed 50 percent of the amount required to meet operating, maintenance, and capital and debt service requirements of the system after deduction of approved federal grants and funds estimated to be allocated pursuant to the State Transit Assistance Fund.

5. REVENUE RATIOS FOR OLDER OPERATORS

Claimant filing a claim pursuant to PUC 99268.2 certifies that it maintain for the project year the ratio of fare revenues to operating cost at least equal 20 percent if serving an urbanized area and 10 percent if serving a non-urbanized area.

6. REVENUE RATIOS FOR EXCLUSIVE SERVICES TO ELDERLY AND DISABLED

Claimant filing a claim pursuant to PUC 99268.5 certifies that it maintain for the project year the ratio of fare revenues to operating cost at least equal 10 percent for the purpose of provides services exclusive to elderly and disabled persons.

Initials

7. REVENUE RATIOS FOR COMMUNITY TRANSIT AND CONTRACTED TRANSIT SERVICES

Claimant filing a claim pursuant to PUC 99275.5c and 99405c further certifies that, for the project year, it reasonably anticipates achieving the performance criteria, local match requirements, or fare recovery ratios adopted by the transportation planning agency or county transportation commission.

8. REVENUE RATIOS FOR OPERATORS SERVING URBANIZED AND NONURBANIZED AREAS

Claimant filing a claim pursuant to PUC 99270.1 certifies that it will maintain for the project year at least the alternative farebox recovery ratio as determined by the adopted (RTPA name) "fare ratio optional rule."

9. EXTENSION OF SERVICES

Claimant that received an allocation of LTF funds for an extension of service pursuant to PUC 99268.8 certifies that it will file a report of these services pursuant to CCR 6633.8b within 90 days after the close of the fiscal year in which that allocation was granted.

10. RETIREMENT SYSTEM

Claimant filing claim pursuant to PUC Section 99260 certifies that (check one):

1. The current cost of its retirement system is fully funded with respect to the officers and employees of its public transportation system (PUC Section 99271a); or

2. The operator is implementing a plan approved by the transportation planning agency which will fully fund the retirement system for such officers and employees within 40 years (PUC Section 99271a); or

3. The operator has a private pension plan which sets aside and invests on a current basis funds sufficient to provide for the payment of future pension benefits and which is fully compliant with the requirements stated in PUC Sections 99272 and 99273.

11. USE OF FEDERAL FUNDS

Claimant filing a claim for TDA funds for capital intensive projects pursuant to PUC 99268.7 certifies that it has made every effort to obtain federal funding for any project which is funded pursuant to PUC 99268.7.

12. REDUCED FARES FOR ELDERLY AND HANDICAPPED

A claimant filing a claim pursuant to PUC 99260 which offers reduced fares to senior citizens and disabled persons certifies that it is in compliance with PUC 99155.

13. DRIVERS PULL NOTICE PARTICIPATION

A claimant filing a claim for public transit assistance must include a certification completed within the prior 13 months by the California Highway Patrol indicating the operator has participated in a "pull notice system" to examine driver's records.

14. INCREASE IN OPERATOR'S COST PER HOUR (STAF OPERATING ASSISTANCE ONLY)

Claimant filing a claim for operating assistance from STAF funds must include a supplemental schedule which identifies either: A - 1) the most recent audited cost per revenue vehicle hour (year 1) and the cost per revenue hour for the year prior to the most recent audit year (year 2) and 2) the Consumer Price Index for the year prior to the most recent audit year (year 2); or B - 1) the most recent audited cost per revenue vehicle hour (year 1) and the cost per revenue hour for the three years prior to the most recent audit year and 2) the Consumer Price Index for the three years prior to the most recent audit year. The supplemental schedule information will be used to determine eligibility pursuant to PUC 99314.6.

15. STAFFING ON VEHICLES

Claimant certifies that it is in compliance with PUC Section 99264 that it does not routinely staff, with two or more persons, a vehicle for public transportation purposes designed to be operated by one person.

(Legal Name of Applicant/Claimant)

(Authorizing Signature of CEO/CFO)

(Name and Title)