

FY 2019-2021
TRIENNIAL
PERFORMANCE
AUDIT



LASSEN TRANSIT
SERVICE AGENCY

Final Draft

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INTERNATIONAL

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Section I

Introduction

California’s Transportation Development Act (TDA) requires that a triennial performance audit be conducted of public transit entities that receive TDA revenues. The performance audit serves to ensure accountability in the use of public transportation revenue.

The Lassen County Transportation Commission (LCTC) engaged Michael Baker International to conduct the TDA triennial performance audit of the public transit operators under its jurisdiction in Lassen County. This performance audit is conducted for the Lassen Transit Service Agency (LTSA) covering the most recent triennial period, fiscal years (FY) 2018–19 through 2020–21.

The purpose of the performance audit is to evaluate the LTSA’s effectiveness and efficiency in its use of TDA funds to provide public transportation in its service area. This evaluation is required as a condition for continued receipt of these funds for public transportation purposes. In addition, the audit evaluates the LTSA’s compliance with the conditions specified in the California Public Utilities Code (PUC). This task involves ascertaining whether the LTSA is meeting the PUC’s reporting requirements. Moreover, the audit includes calculations of transit service performance indicators and a detailed review of transit administrative and operational functions. From the analysis that has been undertaken, a set of recommendations has been made which is intended to improve the performance of transit operations.

In summary, this TDA audit affords the opportunity for an independent, constructive, and objective evaluation of the organization and its operations that otherwise might not be available. The methodology for the audit included interviews via videoconferencing platform with LTSA staff and with the contract operator, collection and review of agency documents, and data analysis.¹ The *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities* published by the California Department of Transportation (Caltrans) was used to guide in the development and conduct of the audit.

Overview of the Transit System

The LTSA is responsible for overseeing the operation of the Lassen Rural Bus (LRB) public transit system. Lassen County was the operator of the public transportation system, which was governed by three members of the Lassen County Board of Supervisors and three members of the City of Susanville City Council. In July 2002, a joint powers agreement was signed between the County of Lassen and the City of Susanville, creating the LTSA. The LTSA is tasked with the administration and operation of public transportation services within Lassen County under the jurisdiction of the LCTC, the regional transportation planning agency (RTPA) for the County. The transit service is operated under contract by Paratransit Services, a private transportation company headquartered in Bremerton, Washington.

¹ For this engagement, videoconferencing was employed in lieu of on-site visitation as part of this audit’s methodology.

Lassen County is located in northeastern California, topographically defined by the northern portion of Sierra Nevada Mountain Range and the Lassen National Forest. The county is bordered by Modoc County to the north, Plumas County to the south, Plumas and Shasta Counties to the west, and the State of Nevada to the east. It is the eighth largest of California's 58 counties in land area with its lower valleys generally above 4,000 feet and mountains rising to heights of 8,200 feet.

Major highways include US Highway 395 and State Routes (SR) 36, 44, and 139. US Highway 395 is the main north–south arterial, connecting Lassen County to Modoc County and Reno, Nevada. SR 36 is the main east–west arterial that connects with US Highway 395 in Susanville and provides access to Plumas County to the west. SR 139 runs north–south between Susanville and the community of Adin and the junction with SR 299. In addition, SR 70, SR 147, and SR 299 extend across parts of the county.

Lassen County was established and incorporated on April 1, 1864. The county was created from parts of Plumas and Shasta Counties and derives its name from Peter Lassen, a well-known trapper and one of John C. Fremont’s guides. The local economy has traditionally been dominated by agriculture, mining, and timber. However, in recent decades, the county’s economy has been reliant on employment generated by federal and state correctional institutions as well as small retail, hospitality, and tourism sectors. The \$124 million agricultural sector in Lassen County comprises alfalfa, wheat, oats, barley, rye, livestock, nursery crops, and timber products.

A demographic snapshot of the county is presented in Table I-1:

**Table I-1
Lassen County Demographics**

City/Jurisdiction	2020 US Census Population	Change from 2010 US Census %	Population 65 Years & Older % (2020 ACS 5-Yr Estimates)	2022 DOF Population Estimates	Land Area (in square miles)
Total Lassen County	32,730	-6.2%	14.40%	30,274	4,720.00
City of Susanville	16,728	-6.8%	7.40%	13,212	8.03
Unincorporated Area	16,002	-5.6%	21.11%	17,062	4,711.97

Source: 2020 US Census; 2020 American Community Survey, 5-Year Estimates; California Department of Finance, 2022 Population Estimates

The City of Susanville is the county seat and the county’s only incorporated city. The county experienced a modest decrease in population between the 2010 and 2020 US Censuses. Based on the 2020 American Community Survey 5-year Estimates, seniors comprise about 14 percent of the county’s population. The 2022 population for Lassen County is estimated to be 30,274 as reported by the California Department of Finance, a 7.5 percent decline from the 2020 Census figures. Other communities and census-designated places include Westwood, Clear Creek, Bieber, Johnstonville, Janesville, Standish, Litchfield, Herlong, Doyle, Milford, Leavitt Lake, Little Valley, Ravendale, Termo, and Madeline.

System Characteristics

The LRB system is composed of a local fixed route, express route, commuter route, deviated fixed route, and demand-response service. A deviated fixed-route bus may deviate up to 0.75 miles off the regular route. The LRB operates Monday through Friday from 5:13 a.m. to 7:39 p.m. and Saturday from 8:00 a.m. to 6:22 p.m. The service does not operate on Sundays and the following holidays: New Year’s Day, Martin Luther King Jr. Day, Presidents’ Day, Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving, the day after Thanksgiving, Christmas Eve, and Christmas. The following table contains details of each LRB route.

**Table I-2
Lassen Rural Bus Routes**

Route	Frequency/Operation	Timepoints
Susanville City Route	60-minute frequency (Monday through Friday from 7:00 a.m. to 6:55 p.m. and Saturdays from 8:00 a.m. to 3:52 p.m.)	<ul style="list-style-type: none"> ▪ Riverside Drive ▪ Lassen Historical Museum ▪ City & County Offices ▪ Burger King & Chevron ▪ Lassen Community College ▪ Diamond Mountain Casino ▪ Safeway Shopping Center
Susanville Express City Route	30-minute frequency (Monday through Friday from 10:37 a.m. to 3:54 p.m.)	<ul style="list-style-type: none"> ▪ Lassen Community College ▪ Lassen Manor Apartments ▪ Safeway Shopping Center ▪ Walmart ▪ Burger King ▪ Lassen Historical Museum ▪ Diamond Mountain Casino
West County	Three trips (Monday through Friday from 5:21 a.m. to 7:39 p.m.) One AM & one PM trip (Saturday from 8:20 a.m. to 6:27 p.m.)	<ul style="list-style-type: none"> ▪ Susanville ▪ Lake Forest ▪ Devils Corral ▪ Westwood ▪ Clear Creek ▪ Hamilton Branch ▪ Chester
West County Extension	One AM & one PM trip (Monday through Friday from 7:50 a.m. to 3:51 p.m.)	<ul style="list-style-type: none"> ▪ Lassen Community College ▪ Riverside Drive ▪ Alexander Avenue ▪ Pearl Circle

Route	Frequency/Operation	Timepoints
		<ul style="list-style-type: none"> ▪ Gold Run ▪ Golf Course ▪ Susanville Airport ▪ Johnsonville Store ▪ Susanville Mobile Home Park
South County (Deviated)	One AM trip & one PM trip (Monday through Friday from 6:30 a.m. to 4:35 p.m.)	<ul style="list-style-type: none"> ▪ Susanville ▪ Lassen Community College ▪ Northeastern Rural Health ▪ Susanville Mobile Home Park ▪ Johnstonville Store ▪ Leavitt Lake ▪ Litchfield (On Demand) ▪ Janesville ▪ Milford ▪ Doyle ▪ Herlong
South County Commuter	One AM trip & one PM trip (Monday through Friday - except federal holidays from 5:13 a.m. to 6:15 p.m.)	<ul style="list-style-type: none"> ▪ Susanville ▪ Janesville – Park & Ride ▪ Milford ▪ Herlong (SIAD Gate)
East County	One AM trip & one PM trip (Fridays from 8:20 a.m. to 3:25 p.m.)	<ul style="list-style-type: none"> ▪ Lassen Community College ▪ Riverside Drive ▪ Susanville Mobile Home Park ▪ Johnstonville Store ▪ Leavitt Lake ▪ Janesville ▪ Doyle ▪ Herlong
Eagle Lake	One morning/mid-day run & one evening run (Saturdays from 10:00 a.m. to 6:15 p.m.)	<ul style="list-style-type: none"> ▪ Susanville ▪ Lake Forest ▪ Mariner’s Resort @ Stone’s Landing ▪ Gallatin Marina ▪ Spalding ▪ Buck’s Bay

Source: LTSA; Lassen Rural Bus Rider’s Guide – Updated October 2020

The LTSA also partners with the Modoc Transit Agency’s Sage Stage for bus service to Reno, Nevada, on Mondays, Wednesdays, and Fridays. The one-way fare from Susanville to Reno is \$22.00 and the discounted one-way fare is \$16.50. The LRB connects with Plumas Transit Systems in the community of Chester via the West County route.

Dial-A-Ride

The LRB operates a complementary demand-response Dial-A-Ride service to the Susanville City route, providing door-to-door transportation to seniors who are 60 years of age and older and persons with disabilities. Dial-A-Ride services requires a minimum one-day advanced reservation. To qualify for Dial-A-Ride, applications must be obtained and completed for approval and sent to the LRB office. In addition to the Susanville Dial-A-Ride service, the LRB operates a demand-response route on Saturdays along the west side of Eagle Lake starting and ending in Susanville from the Saturday of Memorial Day weekend through Labor Day weekend or the final Saturday of September, weather permitting. Service is provided on a reservation basis only, received by 5:00 p.m. Wednesday prior to the Saturday trip.

Fares

LRB fares are structured according to route and zones traveled. Fare media consist of cash and daily and monthly passes. Seniors aged 60 and older, eligible persons with disabilities, and students attending kindergarten through 12th grade receive a 50 percent discount on fares. Children under age 6 ride free. The fare schedule is presented in Table I-3:

**Table I-3
Lassen Rural Bus Fare Schedule**

Fare Type & Media	General	Reduced	With Base Access
Susanville City Route	\$1.00	\$0.50	n/a
Susanville Daily Pass	\$3.00	\$1.50	n/a
Susanville Monthly Pass	\$40.00	\$20.00	n/a
Susanville Dial-A-Ride (per ride)	\$1.75		n/a
West County Route	\$2.00 - \$3.00 - \$4.00	\$1.00 - \$1.50 - \$2.00	n/a
East County Route	\$2.00 - \$3.00 - \$4.00	\$1.00 - \$1.50 - \$2.00	n/a
South County/South County Commuter	\$2.00 - \$3.00 - \$4.00	\$1.00 - \$1.50 - \$2.00	n/a
Eagle Lake Demand Response Route	\$1.00 - \$2.00 - \$3.00	\$0.50 - \$1.00 - \$1.50	n/a
Monthly Pass	\$90.00	\$45.00	n/a
Kool Kid (Children ages 6 to 17 – Summer)	\$15.00	n/a	n/a
Daily System-wide	\$5.00	\$2.50	\$5.00
Commuter Mass Transit Benefit Program	\$90.00	n/a	\$105.00
Monthly Commuter	\$90.00	n/a	\$105.00

Source: LTSA; Lassen Rural Bus Rider’s Guide – Updated October 2020

Fleet

The LRB has a total fleet of 12 vehicles in revenue service owned by the LTSA. All vehicles are wheelchair-accessible in compliance with the Americans with Disabilities Act (ADA) as well as equipped with bicycle racks mounted on the front of the vehicle. Table I-4 shows the vehicle fleet inventory during the audit period.

**Table I-4
Lassen Rural Bus Fleet Inventory**

Year	Make & Model	Quantity	Fuel Type	Service Mode	Seating Capacity
2010	Gillig	1	Diesel	Commuter/Deviated Fixed-Route	39 (2 W/C)
2012	Gillig	1	Diesel	Commuter/Deviated Fixed-Route	39 (2 W/C)
2014	Arboc Mobility	3	Unleaded	Demand Response/Deviated Fixed-Route	19 (3 W/C)
2016	Glaval Freightliner	2	Diesel	Commuter/Deviated Fixed-Route	22 (2 W/C)
2019	Arboc Mobility	2	Unleaded	Demand Response/Deviated Fixed-Route	19 (3 W/C)
2020	Gillig	1	Diesel	Commuter/Deviated Fixed-Route	39 (2 W/C)
2020	Glaval	1	Diesel	Commuter/Deviated Fixed-Route	24 (W/C)
2020	Ford E-350	1	Unleaded	Demand Response/Deviated Fixed-Route	7 (2 W/C)
Total		12			

Source: LTSA

Section II

Operator Compliance Requirements

This section of the audit report contains the analysis of the LTSA’s ability to comply with state requirements for continued receipt of TDA funds. The evaluation uses the guidebook *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, which was developed by Caltrans to assess transit operators. The guidebook contains a checklist of 11 measures taken from relevant sections of the PUC and the California Code of Regulations. Each requirement is discussed in the table below, including a description of the system’s efforts to comply with the requirements. In addition, the findings from the compliance review are described in the text following the table.

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
The transit operator submitted annual reports to the RTPA based upon the Uniform System of Accounts and Records established by the State Controller. Report is due within seven (7) months after the end of the fiscal year (on or before January 31). The report shall contain underlying data from audited financial statements prepared in accordance with generally accepted accounting principles, if this data is available.	Public Utilities Code, Section 99243	Completion/submittal dates: FY 2019: January 31, 2020 FY 2020: January 25, 2021 FY 2021: January 21, 2022 It is noted that a single Transit Operators’ Financial Transaction Report was prepared by the LTSA for both fixed-route and specialized service. The reports are completed and filed by an external, independent auditor. State Controller instructions require that separate reports be submitted for each service type. Conclusion: Complied.
The operator has submitted annual fiscal and compliance audits to the RTPA and to the State Controller within 180 days following the end of the fiscal year (Dec. 27) or has received the appropriate 90-day extension by the RTPA	Public Utilities Code, Section 99245	Completion/submittal dates: FY 2019: May 5, 2020 FY 2020: April 1, 2021 FY 2021: April 29, 2022 A 90-day extension was granted by the RTPA pursuant to the TDA

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
allowed by law.		<p>statute for the fiscal audits; however, all the fiscal audits for the audit period were submitted after the 90-day extension period.</p> <p>Conclusion: Not in compliance.</p>
The CHP has, within the 13 months prior to each TDA claim submitted by an operator, certified the operator’s compliance with Vehicle Code Section 1808.1 following a CHP inspection of the operator’s terminal.	Public Utilities Code, Section 99251 B	<p>Through its contract operator, Paratransit Services, the LTSA participates in the California Highway Patrol (CHP) Transit Operator Compliance Program in which the CHP has conducted inspections within the 13 months prior to each TDA claim. Inspections were conducted at the LRB operations facility located at 701-980 Johnstonville Road, Susanville.</p> <p>Transit Operator Compliance Certificates and inspections applicable to the audit period were dated December 14, 2018; April 23, 2019; December 3 and 12, 2019; June 19, 2020; December 3, 2020; and May 3, 2021.</p> <p>Conclusion: Complied.</p>
The operator’s claim for TDA funds is submitted in compliance with rules and regulations adopted by the RTPA for such claims.	Public Utilities Code, Section 99261	The LTSA’s annual claims for Local Transportation Funds (LTF) and State Transit Assistance (STA) are submitted in compliance with the rules and regulations adopted by the LCTC. The claim has consisted of a one-page file requesting the amount of funds and referencing the TDA section of the law with

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
		<p>the board resolution attached. The LCTC developed and implemented a new TDA claim form that conforms to industry practice in FY 2020-21. The claim form has been formatted on an Excel spreadsheet and includes checklists for LTF and STA claims, the main claim form, resolution, productivity improvement progress report, farebox analyses, and a standard assurances form.</p> <p>Conclusion: Complied.</p>
<p>If an operator serves urbanized and non-urbanized areas, it has maintained a ratio of fare revenues to operating costs at least equal to the ratio determined by the rules and regulations adopted by the RTPA.</p>	<p>Public Utilities Code, Section 99270.1</p>	<p>This measure is not applicable, as the LTSA operates in a rural area and is subject to the adopted performance criteria established by the LCTC.</p> <p>Conclusion: Not applicable.</p>
<p>The operator’s operating budget has not increased by more than 15% over the preceding year, nor is there a substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities unless the operator has reasonably supported and substantiated the change(s).</p>	<p>Public Utilities Code, Section 99266</p>	<p>Percentage change in the transit operating budget for LTSA:</p> <p>FY 2019: +2.5% FY 2020: +2.8% FY 2021: +5.1%</p> <p><i>Source: LTSA Annual Budgets FY 2018-2021</i></p> <p>Conclusion: Complied.</p>
<p>The operator’s definitions of performance measures are consistent with Public Utilities Code Section 99247, including (a) operating cost,</p>	<p>Public Utilities Code, Section 99247</p>	<p>The LTSA’s definition of performance measures as tracked and recorded by the contract operator is consistent with PUC Section 99247.</p>

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
(b) operating cost per passenger, (c) operating cost per vehicle service hour, (d) passengers per vehicle service hour, (e) passengers per vehicle service mile, (f) total passengers, (g) transit vehicle, (h) vehicle service hours, (i) vehicle service miles, and (j) vehicle service hours per employee.		Conclusion: Complied.
If the operator serves an urbanized area, it has maintained a ratio of fare revenues to operating costs at least equal to one-fifth (20 percent), unless it is in a county with a population of less than 500,000, in which case it must maintain a ratio of fare revenues to operating costs of at least equal to three-twentieths (15 percent), if so determined by the RTPA.	Public Utilities Code, Sections 99268.2, 99268.3, 99268.12, 99270.1	This measure is not applicable, as the LTSA operates in a rural area and is subject to the adopted performance criteria established by the LCTC. Conclusion: Not applicable.
If the operator serves a rural area, or provides exclusive services to elderly and disabled persons, it has maintained a ratio of fare revenues to operating costs at least equal to one-tenth (10 percent).	Public Utilities Code, Sections 99268.2, 99268.4, 99268.5	The LTSA operates deviated fixed-route service in a rural area that is subject to a 10 percent farebox recovery ratio. The system-wide farebox recovery for LTSA during the audit period is as follows: FY 2019: 15.10% FY 2020: 16.02% FY 2021: 13.52% <i>Source: LTSA Audited Financial Statements and Compliance</i>

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
		<p><i>Reports FY 2019-2021</i></p> <p>Conclusion: Complied.</p>
<p>The current cost of the operator’s retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing a plan approved by the RTPA which will fully fund the retirement system within 40 years.</p>	<p>Public Utilities Code, Section 99271</p>	<p>The LTSA contracts with a private provider for operations, while the County contributes to the LTSA staff’s retirement under the California Public Employees Retirement System (CalPERS).</p> <p>Conclusion: Complied.</p>
<p>If the operator receives state transit assistance funds, the operator makes full use of funds available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted.</p>	<p>California Code of Regulations, Section 6754(a)(3)</p>	<p>The LTSA receives STA funds and makes use of federal transit grant funds under Federal Transit Administration (FTA) Section 5311 and the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act as follows:</p> <p>FY 2019: \$199,901 (Operations) FY 2020: \$211,247 (Operations) \$220,773 (CARES Act) FY 2021: \$219,336 (Operations) \$212,247 (CARES Act)</p> <p><i>Source: National Transit Database Annual Report - Rural</i></p> <p>Conclusion: Complied.</p>

Findings and Observations from Operator Compliance Requirements Matrix

1. Of the nine compliance requirements pertaining to the LTSA, the operator satisfactorily complied with eight requirements. The operator was not in compliance with regard to the timely completion and submittal of its annual fiscal and compliance audits. Two additional compliance requirements did not apply (i.e., blended and urban farebox recovery ratios).
2. Based on the available data from the *Lassen Transit Service Agency Audited Financial Statements and Compliance Reports*, the LTSA's farebox recovery ratio remained above the required 10 percent throughout the audit period. For the three-year audit period, the farebox recovery ratio calculated by the performance auditor using audited data was 15.10 percent in FY 2019; 16.02 percent in FY 2020; and 13.52 percent in FY 2021. The average system-wide farebox recovery ratio was 14.88 percent for the three years.
3. Through its contract operator, LTSA participates in the CHP Transit Operator Compliance Program and received inspections of its transit vehicles within the 13 months prior to each TDA claim. Satisfactory ratings were made for all inspections conducted during the audit period.
4. The operating budget exhibited modest increases during each fiscal year of the audit period. The budget increased 2.5 percent in FY 2019 and 2.8 percent in FY 2020. For FY 2021, the budget increased 5.1 percent, which is attributed to higher contractor costs and a special department expense.

Section III

Prior Triennial Performance Recommendations

The LTSA's efforts to implement the recommendations made in the prior triennial performance audit are examined in this section of the report. For this purpose, each prior recommendation for the agency is described, followed by a discussion of its 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

Prepare separate State Controller Reports for general public fixed route and specialized Dial-A-Ride service.

Background: The LTSA's annual Transit Operators' Financial Transactions Report to the State Controller has historically combined information for both general public (fixed route) and specialized service for seniors and persons with disabilities (Dial-A-Ride). Although the State Controller's Office has not provided notice to the LTSA, written instructions to prepare this particular report require separate reporting of these modes. In the General Instruction Form completed by the LTSA, a selection must be made as to which mode of transit is represented in the report. The options are general public use or elderly/disabled.

The Transit Operators' Financial Transactions Report instructions contain the following passages under the General Instruction Form:

Transit operators providing two types of service, (general public use and transit service exclusively for the elderly/handicapped) must complete a separate report for each type of service.

... Check one box only, either "General Public Use" or "Elderly Handicapped," not both. Those agencies providing a service to the general public and an exclusive service to the elderly or handicapped must file a separate report for each type of service.

It was suggested that the submission of separate reports to the State Controller would serve to demonstrate the LTSA's initiative-taking approach to compliance with state reporting instructions.

Actions taken by LTSA:

The LTSA has indicated that the Transit Operators' Financial Transactions Reports submitted annually to the State Controller are completed and filed by an external, independent auditor. LTSA staff contend that the auditor could not determine the exact costs for the specialized service because, besides the direct hourly service costs from the third-party contractor, fuel,

administration, and maintenance costs cannot be directly accounted for. These costs are being calculated internally for National Transit Database reporting and have been provided to the independent auditor; however, they may not be calculated in a method acceptable for State Controller reporting standards.

Conclusion

This recommendation has not been implemented and is forwarded in this audit for implementation. The development of a State accepted cost-allocation plan is recommended for the specialized service mode in order to determine the modal split. It is also noted that modal cost data are already reported in the National Transit Database.

Prior Recommendation 2

Ensure that LTSA expenditures are reflected accurately in the annual fiscal and compliance audits as part of an enhanced financial oversight effort.

Background: This recommendation, which had been carried over from the prior audit for implementation, suggested that staff who have fiscal management and reporting responsibility would benefit from additional training in governmental accounting, use of accounting software, and transit funding so that they can have a more initiative-taking role in the financial management of the LTSA.

The County auditor has been tasked with oversight of LTSA finances. The Independent Auditor's Report and Finding 2018-001 on the Schedule of Findings in the FY 2018 fiscal and compliance audit qualified their finding on the LTSA's financial statements due to the commingling of certain administrative expenses and revenues with the LCTC in the County's Fund 128 in fiscal years FY 2016–17. This issue could result in the understatement or overstatement of cash and net position reported in the LTSA's financial statements. Based on the FY 2018 fiscal audit, operating costs increased by 21 percent, attributed to the commingling of certain administrative expenses and revenues with the LCTC in the County's Fund 128. The LCTC, LTSA, and County auditor were discussing a negotiated settlement after the audit period to disperse the cash balance and close out the fund. Results of the potential settlement should be reflected in the more accurate representation of the financial data.

Actions taken by LTSA:

Commencing in FY 2018–19, the 128 fund was only for LTSA administration. The County auditor set up new fund (574) for LCTC administration. The independent financial auditor and the County auditor audited previous revenues and expenditures to accurately establish a fund balance. The LCTC accepted a claim by the County for retirement payments from the 128 fund balance. It was determined that roughly \$160,000 was due from the LCTC for the pension and other post-employment benefits liabilities of the LTSA. These payments from the LCTC will begin in FY 2023 and will be split over five years, with \$30,000 being paid annually for four years and the remaining \$40,000 being paid in the fifth year.

Conclusion

This recommendation has been implemented.

Prior Recommendation 3

Include monitoring operational data such as road calls, accidents, and complaints (i.e., the number of complaints/accidents per miles driven) in the automated reporting system.

Background: This recommendation had been carried over from the prior audit for implementation. LRB route statistics are collected each month and financial data are integrated. The route statistics, including ridership, vehicle service hours and miles, and fare revenues, are collected from the daily driver time and fare sheets. These are recorded onto an Excel spreadsheet and then collected to generate a comprehensive monthly report. In November 2017, the contract operator implemented a new data input system for reporting performance metrics. The Excel-based template allows the tracking of pertinent performance data including wheelchairs, bicycles, and school trips. A review of the annual performance report found that road calls, accidents, and customer complaints were not being included in the route statistics. It was suggested that the LTSA ensure the contract operator includes these additional metrics in its reporting template.

Actions taken by LTSA:

In response to the prior triennial performance audit, which was completed in December 2019, the LTSA contract operator started in FY 2020–21 to include other operational data such as road calls, accidents, and complaints in the monthly invoice report.

Conclusion

This recommendation has been implemented.

Prior Recommendation 4

Implement greater security measures for storing farebox vaults.

Background: As was noted in the prior triennial performance audit, farebox vaults would be unloaded from the vehicles by the drivers after bus runs (thus containing cash revenue) and stacked on a desk in the driver's lounge in broad view. While access to the cash revenue inside the vaults could not be made without a secured key, the farebox vault mechanisms are not large in size. It was suggested that more secure measures be implemented around the vaults prior to their being opened and counted by transit management. The contractor indicated plans to construct a fare-counting room at the operations facility that would be physically separated from the driver's lounge, which is accessible by all contractor employees. As an interim measure, a locked filing cabinet could be installed where drivers coming off their runs could drop off the fare

vaults. At the end of the business day or at some point following the last bus run, the cabinet would be locked overnight before the morning count.

Actions taken by LTSA:

In response to the prior triennial performance audit, the LTSA built an extra room at the LRB operations facility for the storage of vaults and fare counting. Construction was completed in March 2022.

Conclusion

This recommendation has been implemented.

Prior Recommendation 5

Develop a focused bus stop improvement plan.

Background: The prior audit noted that there are flag stops in the rural areas and the Susanville City route has stops without signage. This issue could pose potential ADA accessibility issues and right-of-way discussions with Caltrans. Recommendations contained in the 2017 Transit Development Plan (TDP) included bus stop and shelter improvements. In particular, the TDP included a program to enhance passenger facilities at key bus stops in Susanville along with benches, shelter, and signage. It was suggested that the development of a bus stop improvement program could be a useful tool in assessing the placement of bus stops where most needed and related infrastructure. The LTSA could apply Low Carbon Transit Operations Program (LCTOP) or Rural Planning Assistance funds toward such an endeavor.

Actions taken by LTSA:

The LTSA allocated funds from the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) and LCTOP for a bus stop improvement project and implemented the recommendations from the 2017 TDP, input from stakeholders, and the public to prioritize bus stops for improvements. The LTSA awarded a construction contract for 10 bus stops in March 2022.

Conclusion

This recommendation has been implemented.

Section IV

TDA Performance Indicators

This section reviews the LTSA's performance in providing transit service to the community in an efficient and effective manner. The TDA requires that at least five specific performance indicators be reported, which are contained in the following tables. Farebox recovery ratio is not one of the five specific indicators but is a requirement for continued TDA funding. Therefore, farebox calculation is also included. Two additional performance indicators, operating cost per mile and average fare per passenger, are included as well. Findings from the analysis are contained in the section following the tables.

Tables IV-1 through IV-3 provide the performance indicators for the LTSA system-wide, fixed-route/commuter, and Dial-A-Ride. Graphs are also included to depict the trends in the indicators.

**Table IV-1
LTSA System-wide TDA Performance Indicators**

Performance Data and Indicators	FY 2018	Audit Period			% Change FY 2018-2021
		FY 2019	FY 2020	FY 2021	
Operating Cost ¹	\$1,184,627	\$1,205,647	\$1,190,357	\$1,316,897	11.2%
Total Passengers	85,828	87,903	74,691	52,356	-39.0%
Vehicle Service Hours	9,407	8,771	8,062	9,407	0.0%
Vehicle Service Miles	232,553	220,507	205,085	229,820	-1.2%
Employee FTEs	17	18	18	18	5.9%
Fare Revenue ²	\$151,619	\$182,064	\$190,712	\$178,024	17.4%
Operating Cost per Passenger	\$13.80	\$13.72	\$15.94	\$25.15	82.2%
Operating Cost per Vehicle Service Hour	\$125.93	\$137.46	\$147.65	\$139.99	11.2%
Operating Cost per Vehicle Service Mile	\$5.09	\$5.47	\$5.80	\$5.73	12.5%
Passengers per Vehicle Service Hour	9.1	10.0	9.3	5.6	-39.0%
Passengers per Vehicle Service Mile	0.37	0.40	0.36	0.23	-38.3%
Vehicle Service Hours per Employee	553.4	487.3	447.9	522.6	-5.6%
Average Fare per Passenger	\$1.77	\$2.07	\$2.55	\$3.40	92.5%
Fare Recovery Ratio	12.80%	15.10%	16.02%	13.52%	5.6%
Consumer Price Index - (CPI-U)	3.7%	3.0%	1.7%	4.2%	9.1%

Source: Annual Fiscal & Compliance Audits, National Transit Database, Transit Operator Financial Transactions Report

¹ System-wide audited operating costs exclude depreciation.

² Fare revenue includes passenger fare and contract fare revenue.

**Table IV-2
LTSA Fixed-Route/Commuter TDA Performance Indicators**

Performance Data and Indicators	FY 2018	Audit Period			% Change FY 2018- 2021
		FY 2019	FY 2020	FY 2021	
Operating Cost	\$714,914	\$708,142	\$738,751	\$887,601	24.2%
Total Passengers	65,849	66,112	58,940	42,243	-35.8%
Vehicle Service Hours	8,306	7,606	7,209	8,697	4.7%
Vehicle Service Miles	218,437	204,610	193,579	219,045	0.3%
Employee FTEs	15	16	16	16	6.7%
Passenger Fares	\$80,649	\$79,155	\$75,168	\$52,320	-35.1%
Contract Revenues	\$25,681	\$27,782	\$33,361	\$34,395	33.9%
Total Fare Revenues	\$106,330	\$106,937	\$108,529	\$86,715	-18.4%
Operating Cost per Passenger	\$10.86	\$10.71	\$12.53	\$21.01	93.5%
Operating Cost per Vehicle Service Hour	\$86.07	\$93.10	\$102.48	\$102.06	18.6%
Operating Cost per Vehicle Service Mile	\$3.27	\$3.46	\$3.82	\$4.05	23.8%
Passengers per Vehicle Service Hour	7.9	8.7	8.2	4.9	-38.7%
Passengers per Vehicle Service Mile	0.30	0.32	0.30	0.19	-36.0%
Vehicle Service Hours per Employee	553.7	475.4	450.6	543.6	-1.8%
Average Fare per Passenger	\$1.61	\$1.62	\$1.84	\$2.05	27.1%
Fare Recovery Ratio	14.87%	15.10%	14.69%	9.77%	-34.3%
Consumer Price Index - (CPI-U)	3.7%	3.0%	1.7%	4.2%	9.1%

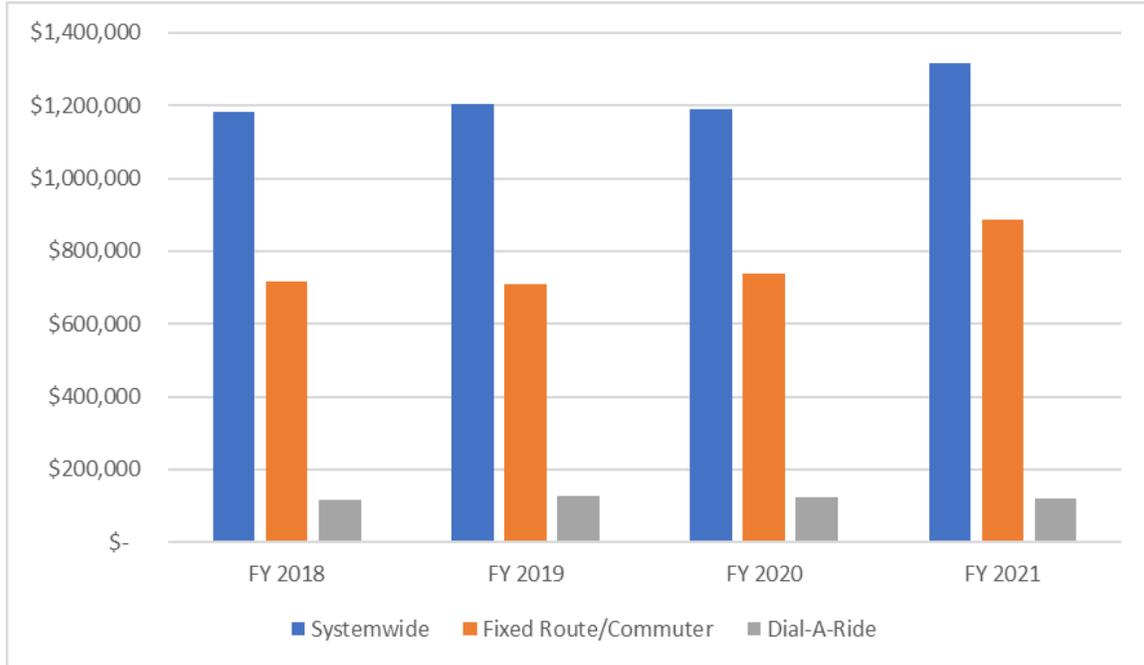
Source: National Transit Database, Transit Operator Financial Transactions Report

**Table IV-3
LTSA Dial-A-Ride TDA Performance Indicators**

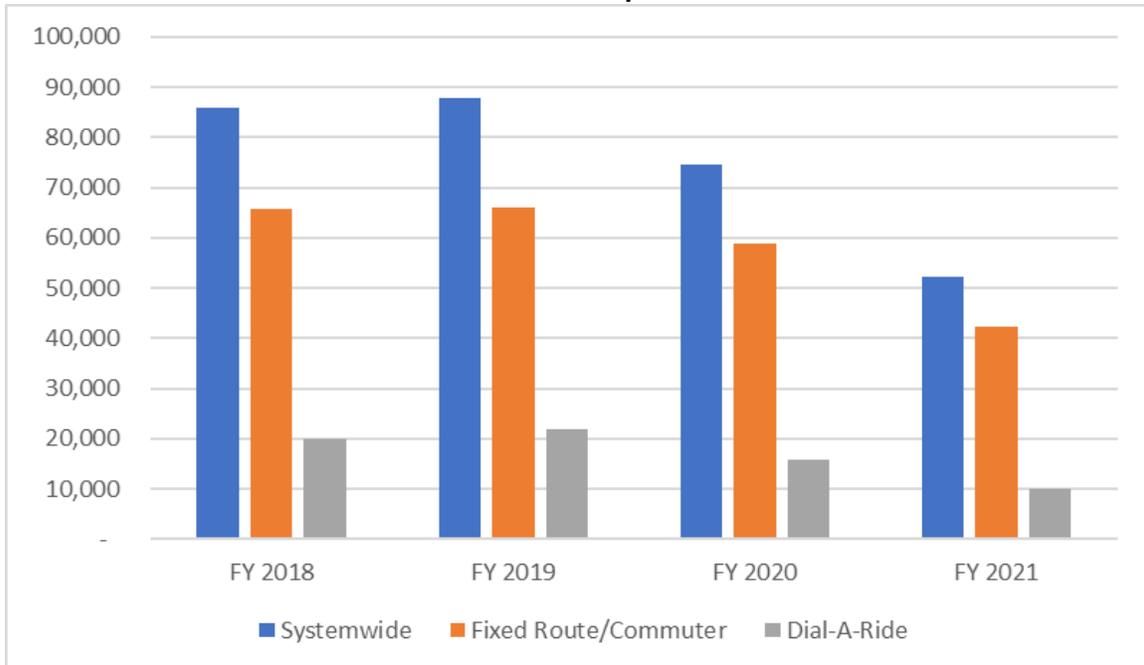
Performance Data and Indicators	FY 2018	Audit Period			% Change FY 2018-2021
		FY 2019	FY 2020	FY 2021	
Operating Cost	\$117,185	\$128,097	\$124,893	\$119,394	1.9%
Total Passengers	19,979	21,791	15,751	10,113	-49.4%
Vehicle Service Hours	1,101	1,165	853	710	-35.5%
Vehicle Service Miles	14,116	15,897	11,506	10,775	-23.7%
Employee FTEs	2	2	2	2	0.0%
Passenger Fares	\$2,230	\$2,294	\$1,969	\$1,874	-16.0%
Contract Revenues	\$35,419	\$53,983	\$73,004	\$68,521	93.5%
Total Fare Revenues	\$37,649	\$56,277	\$74,973	\$70,395	87.0%
Operating Cost per Passenger	\$5.87	\$5.88	\$7.93	\$11.81	101.3%
Operating Cost per Vehicle Service Hour	\$106.44	\$109.95	\$146.42	\$168.16	58.0%
Operating Cost per Vehicle Service Mile	\$8.30	\$8.06	\$10.85	\$11.08	33.5%
Passengers per Vehicle Service Hour	18.1	18.7	18.5	14.2	-21.5%
Passengers per Vehicle Service Mile	1.42	1.37	1.37	0.94	-33.7%
Vehicle Service Hours per Employee	550.5	582.5	426.5	355.0	-35.5%
Average Fare per Passenger	\$1.88	\$2.58	\$4.76	\$6.96	269.4%
Fare Recovery Ratio	32.13%	43.93%	60.03%	58.96%	83.5%
Consumer Price Index - (CPI-California)	3.7%	3.0%	1.7%	4.2%	9.1%

Source: National Transit Database, Transit Operator Financial Transactions Report

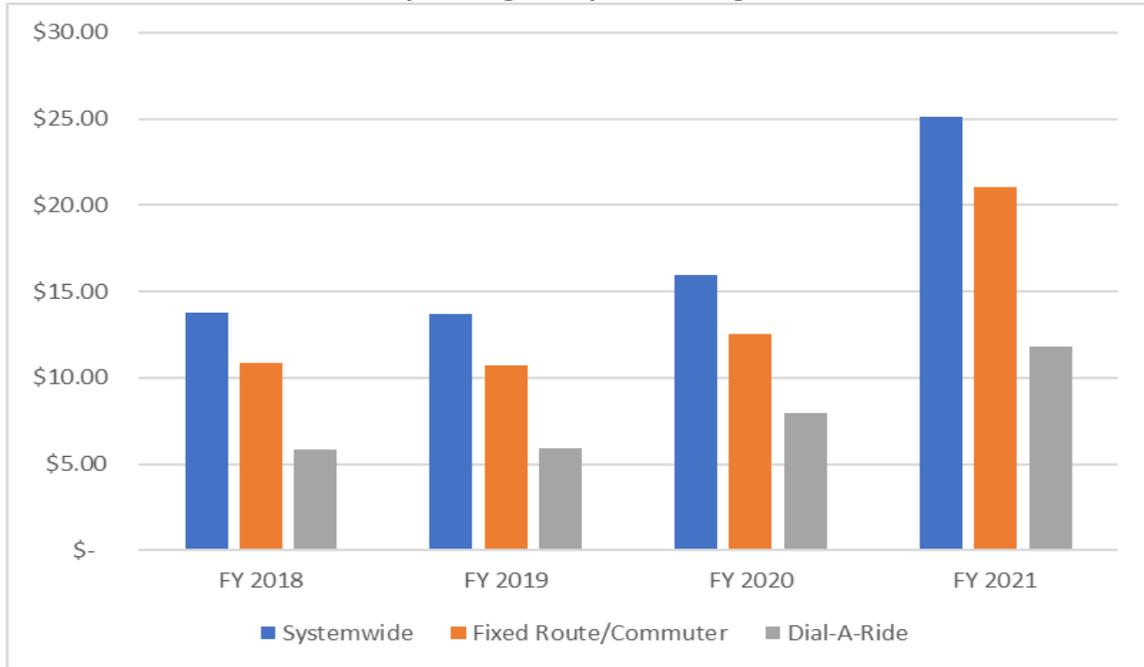
**Graph IV-1
Operating Costs**



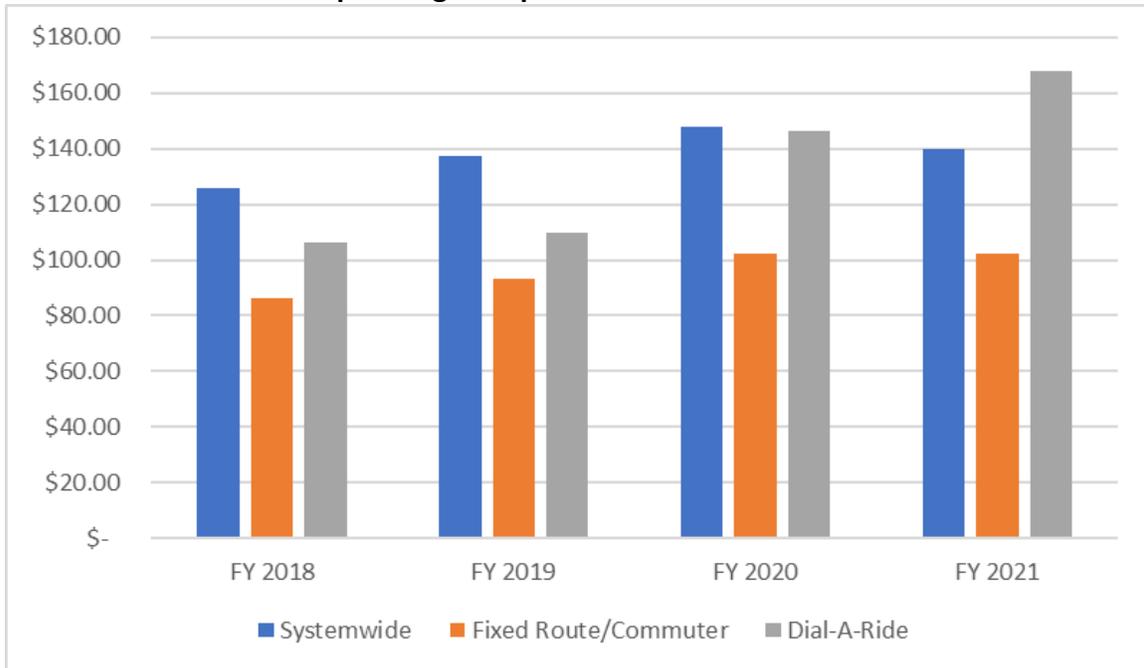
**Graph IV-2
Ridership**



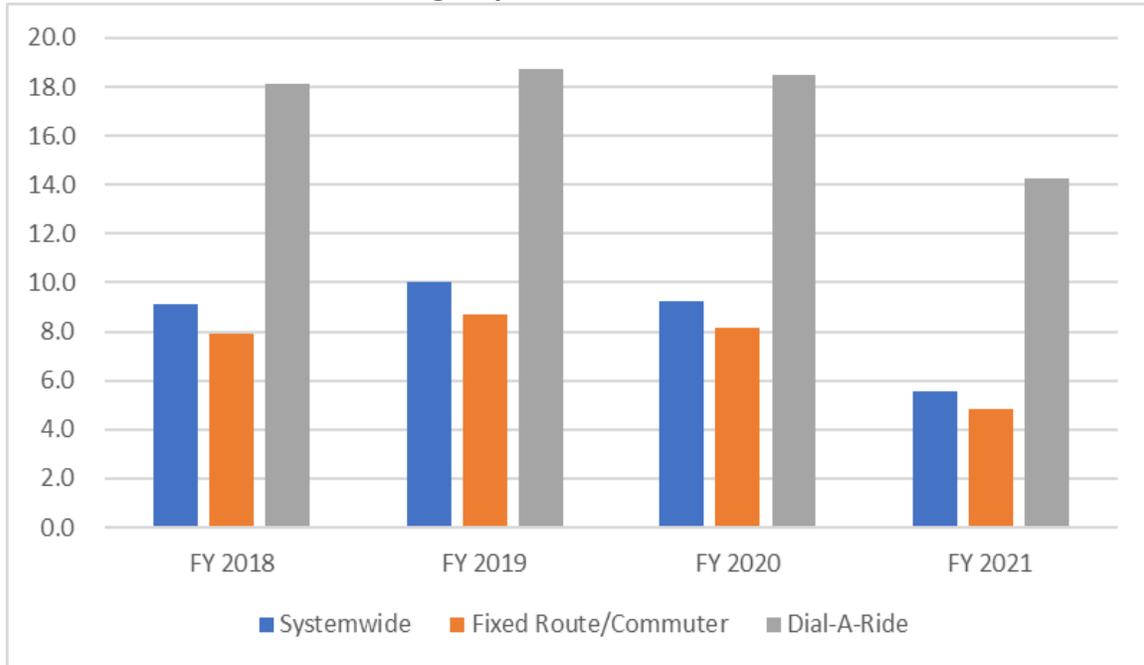
**Graph IV-3
Operating Cost per Passenger**



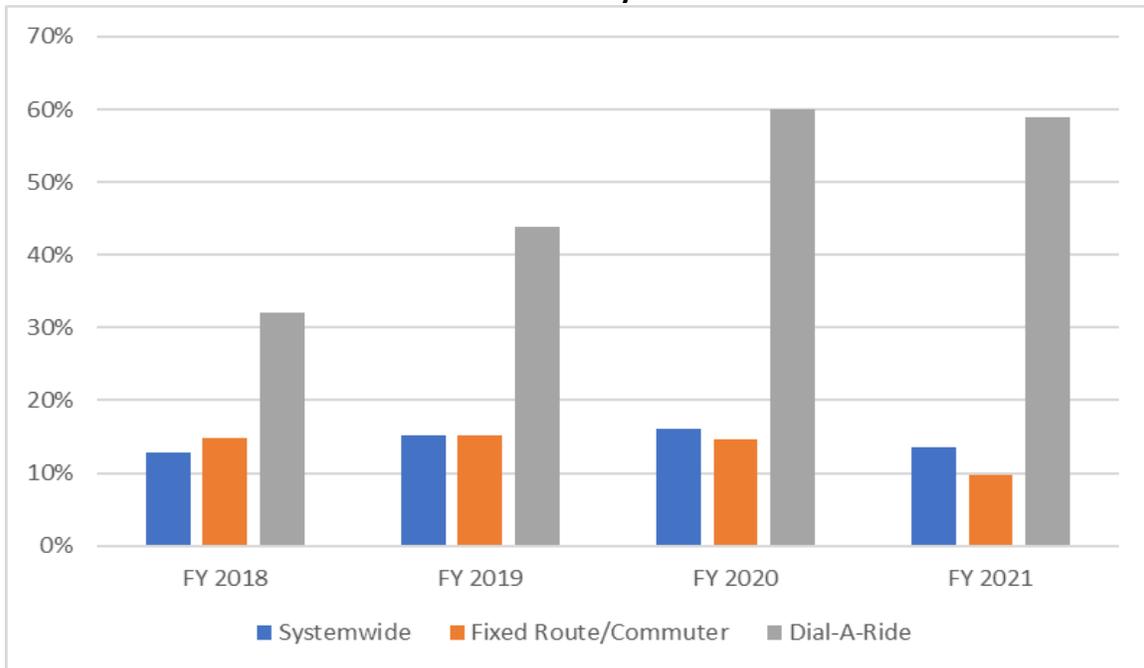
**Graph IV-4
Operating Cost per Vehicle Service Hour**



Graph IV-5
Passengers per Vehicle Service Hour



Graph IV-6
Fare Recovery Ratio



Findings from Verification of TDA Performance Indicators

- 1. Operating cost per vehicle service hour**, an indicator of cost efficiency, increased 11.2 percent system-wide from \$125.93 during FY 2018 base year to \$139.99 in FY 2021. At the modal level, fixed route/commuter cost per hour increased 18.6 percent from \$86.07 in FY 2018 to \$102.06 in FY 2021. For Dial-A-Ride, cost per hour increased 58 percent from \$106.44 in FY 2018 to \$168.16 in FY 2021. These increases directly correlate to the 11.2 percent increase in operating costs over the audit period, as system-wide vehicle service hours initially dipped in FY 2019 and FY 2020 before returning to FY 2018 base year levels in FY 2021.
- 2. Operating cost per passenger**, an indicator of cost effectiveness, increased 82.2 percent from \$13.80 in FY 2018 to \$25.15 in FY 2021. At the modal level, fixed route/commuter cost per passenger increased 93.5 percent from \$10.86 in FY 2018 to \$21.01 in FY 2021. For Dial-A-Ride, cost per passenger increased 101.3 percent from \$5.87 in FY 2018 to \$11.81 in FY 2021. As noted above, the LTSA's operating costs increased during the period; coupled with significant decreases in ridership because of the COVID-19 pandemic, this performance measure has experienced significant increases. System-wide passenger trips decreased 39 percent from 85,828 in FY 2018 to 52,356 in FY 2021.
- 3. Passengers per vehicle service hour**, which measures the effectiveness of the service delivered, decreased 39 percent between FY 2018 and FY 2021, from 9.1 to 5.6 passengers per hour. At the modal level, fixed route/commuter passengers per hour decreased 38.7 percent in the same time period from 7.9 to 4.9 passengers per hour. Passengers per hour on Dial-A-Ride also decreased from 18.1 in FY 2018 to 14.2 passengers in FY 2021, a 21.5 percent decrease. The system-wide trend in this indicator is reflective of the 39 percent decrease in ridership due to the pandemic while vehicle service hours during the audit period remained consistent.
- 4. Passengers per vehicle service mile**, another indicator of service effectiveness, decreased 38.3 percent between FY 2018 and FY 2021 from 0.37 to 0.23 passengers. At the modal level, fixed route/commuter passengers per mile decreased 36 percent from 0.30 in FY 2018 to 0.19 passengers per hour in FY 2021. On Dial-a-Ride, passengers per mile decreased 33.7 percent from 1.42 in FY 2018 to 0.94 passengers in FY 2021. From the FY 2018 base year to FY 2021, total vehicle service miles decreased 1.2 percent from 232,553 miles to 229,820 miles while the number of passenger trips decreased 39 percent because of the pandemic.
- 5. Vehicle service hours per employee** decreased 5.6 percent between FY 2018 and FY 2021. This resulted from the 5.9 percent increase in the number of full-time equivalent (FTE) employees—going from 17 FTEs in FY 2018 to 18 FTEs in FY 2021—while vehicle service hours remained consistent during the audit period. This measure is based on the number of employee FTEs using employee pay hours from the Transit Operators' Financial Transactions Report and dividing by 2,000 hours per employee.

6. **Farebox recovery** exhibited a 5.6 percent increase from a ratio of 12.80 percent in the FY 2018 base year to a ratio of 13.52 percent in FY 2021 based on audited data. Passenger fare revenue increased 17.4 percent whereas operating costs increased 11.2 percent. The LTSA is held to a 10 percent minimum farebox recovery ratio and was able to exceed the minimum ratio throughout the audit period.

Conclusion from the Verification of TDA Performance Indicators

The LTSA's performance metrics during the audit period reflect increases in operating costs coupled with decreases in ridership primarily because of the COVID-19 pandemic. Despite lower ridership, the LTSA was able to maintain service levels with vehicle service hours remaining constant and vehicle service miles only exhibiting a 1.2 percent decrease. Performance cost indicators exhibited increases ranging from a 11.2 percent increase in the cost per hour to an 82.2 percent increase in the cost per passenger.

Based on audited data, operating costs fluctuated during the audit period and exhibited an overall increase of 11.2 percent. On a per annum basis, costs increased in FY 2019 by 1.8 percent and decreased in FY 2020 by 1.3 percent. Operating costs exhibited their largest increase of 10.6 percent in FY 2021, a reflection of minimum wage increases as well as pandemic-related hazard pay and purchase of personal protective equipment (PPE) supplies. Consumer Price Index escalators built into the operating contract are also factors. Operating expenses are expected to increase in the next audit period by roughly 50 percent with a new operations contract signed after the end of the FY 2021 period.

Ridership during the audit period was largely impacted by the pandemic, as ridership was increasing prior to mid FY 2020. Ridership saw 2.4 percent growth in FY 2019 before exhibiting a 15 percent decrease in FY 2020 and 29.9 percent decrease in FY 2021. Lassen Community College and the Far Northern Regional Center (FNRC) represent a substantial portion of the LTSA ridership base and both experienced pandemic-related closures that heavily impacted overall ridership. Following the audit period, ridership has recovered to roughly 93 percent of its FY 2019 levels, which is higher than that of peer transit agencies in the North State and a positive sign for the LTSA going forward. Ridership may experience fluctuations in the next audit period with the closure of the Susanville Correctional Center, a large employer of the population base in Lassen County.

Despite decreases in ridership, the LTSA managed to offset the decreases in passenger fares with increases in contract revenues. For fixed route, passenger fares fell 35.1 percent while contract revenue grew 33.9 percent. For Dial-A-Ride, passenger fares fell 16 percent while contract revenue grew 93.5 percent. The LTSA has a Memorandum of Understanding (MOU) with the FNRC to provide both fixed-route and Dial-A-Ride services, providing approximately \$90,000 in contract revenues. Additionally, the LTSA receives approximately \$20,000 in contract revenues from Lassen Community College. Through these contract revenues, the LTSA was able to exceed its minimum 10 percent farebox recovery ratio.

Section V

Review of Operator Functions

This section provides an in-depth review of various functions within the LTSA. The review highlights accomplishments, issues, and/or challenges that were determined during the audit period. The following functions were reviewed with the LTSA transportation planner and the Paratransit Services general manager for the LRB via videoconference platform:

- Operations
- Maintenance
- Planning
- Marketing
- General Administration and Management

Within some departments are subfunctions that require review as well, such as Grants Administration that falls under General Administration.

Operations

The LTSA administers local and rural commuter service along the major highway corridors in the county. The transit system is operated under contract by Paratransit Services. Routes are configured according to geographical area radiating from Susanville: Susanville City, West County, South/East County, South County Commuter, and Eagle Lake. All routes converge in Susanville, the county seat. The main traffic generators include Lassen Community College, FNRC, and the Sierra Army Depot.

The LRB's ridership is composed primarily of transfers from transit-dependent markets as well as FNRC riders. The bus also has a considerable senior/disabled rider base; however, post-pandemic, senior ridership has fallen. Approximately three-quarters of bus ridership is generated by the Susanville City route and Dial-A-Ride. The City route operates on an hourly loop around Susanville. In FY 2020, a Susanville Express City route was added, which operates at 30-minute intervals Monday through Friday. Fixed-route and Dial-A-Ride ridership generated by the FNRC had been increasing prior to the pandemic and ridership has begun to recover following the audit period. The rural areas feature flag stops along the length of the route while the Susanville City route features designated bus stops. A bus stop improvement project that began in FY 2019 to improve potential ADA accessibility issues was completed following the audit period in August 2022.

Prior to the effects of the pandemic, the South County Commuter route was experiencing a decrease in ridership. This was attributed to increased vanpool usage by employees of the Sierra

Army Depot and the Federal Correctional Institution, Herlong. As a result of this trend, the South County Commuter route is now only serviced with one bus. The East County route also experienced modifications during the audit period. Prior to the audit period, the East County route experienced very low ridership as a Monday through Friday service. In January 2019, the East County service merged with the South County service, effectively replacing the East County service entirely. Prior to this change, the LTSA held four community meetings where riders could attend and learn more about the proposed route changes. An East County Extension service was offered on Fridays briefly following this change; however, this service was canceled as of July 2021. In October 2020, the LRB added a West County Extension route, providing one AM and one PM service between Lassen College and Susanville Airport. This service was canceled in July 2021.

A Memorandum of Understanding (MOU) has existed between the LTSA and Lassen Community College since July 2010 involving a \$20,000 annual subsidy. The MOU allows Lassen Community College students to ride the LRB free and is renewed annually. The college generates approximately 10,000 student trips annually. The Lassen County Health and Social Services Department purchases tickets for its clientele.

An MOU was signed effective January 2019 between the LTSA and FNRC. The agreement provides free access to LRB services, including Dial-A-Ride, to FNRC clients. In return, the FNRC must pay a monthly fee of \$115 per rider and provide a listing of eligible FNRC riders so that the LTSA can track and bill accordingly. This agreement has proven to be successful, bringing in roughly \$90,000 in revenue annually. Initially only effective until June 2020, the agreement is automatically extended on the anniversary date for a term of one year unless either party gives written notice of termination.

In July 2016, the LTSA board passed a resolution enabling the LRB to operate charter bus services for community and public events such as New Year's Eve Safe Ride Home, Bizz Johnson Marathon, Blues and Brews Festival, Wine Tasting Festival, Lassen Land & Trails Trust Nature Camp, and Rotary Club Annual Westwood BBQ. The resolution specifically states these charter services will not interfere with regularly scheduled service or compete unfairly with private charter operations, as stipulated in the TDA statute, which allows an agency to provide charter bus services to charitable or public service organizations at a direct cost not to exceed \$10,000 or a total of 40 charter buses per year, whichever occurs first. The LTSA adjusts the direct hourly cost based on changes in operating cost, such as from fuel price increases and contractor vehicle service hour cost increases. The LTSA continued to offer these charter bus services during the audit period.

A key performance measure is on-time performance. The LRB is held to a 90 percent on-time performance standard on all fixed and commuter routes except when travel is impeded by traffic or weather conditions. "On-time" is defined as not early and not more than five minutes late. Factors impacting on-time performance include road construction and driver rotation. On Dial-A-Ride, riders are scheduled every 15 minutes. Lassen Senior Center transportation services supplement LRB Dial-A-Ride. The on-time performance for the Susanville City and Rural routes are summarized in the following table:

**Table V-1
On-time Performance**

Route	FY 2019	FY 2020	FY 2021
Susanville City Route	78%	90%	95%
LRB Rural Routes*	N/A	N/A	93%

Source: LRB

*On-time performance data for rural routes only available from January to June 2021.

The contract operator is required to maintain a minimum of 100,000 miles traveled between preventative collision accidents. According to the Federal Motor Carrier Safety Administration, a preventable accident is one which occurs because the driver fails to act in a reasonably expected manner to prevent it. According to the contract operator prior to this audit period, the LRB was averaging 6 to 8 accidents annually. In response to this trend, the contract operator increased the number of retraining hours. The contract operator also introduced safety initiatives that reward drivers with monetary compensation for the reduction of preventable accidents. These measures have led to a significant decrease in preventable accidents, with only one occurring at the beginning of FY 2019 and no others occurring until after the audit period in FY 2022. There were only three non-preventable accidents over the course of the audit period as well.

Each vehicle is equipped with four interior cameras. Drivers utilize mobile display tablets, which provide electronic manifests and route sheets. The tablets utilized on the Susanville City route track on-time performance as well as boarding and alightings. The LTSA utilizes OnSpot GPS tracking and monitoring software.

In November 2017, the contract operator implemented a new data input system for reporting performance metrics. The Excel-based template allows the tracking of pertinent performance data including wheelchairs, bicycles, and school trips. Other data include ridership and farebox type data, fuel and oil consumption, and utility costs. The contract operator continued to utilize this system during the audit period.

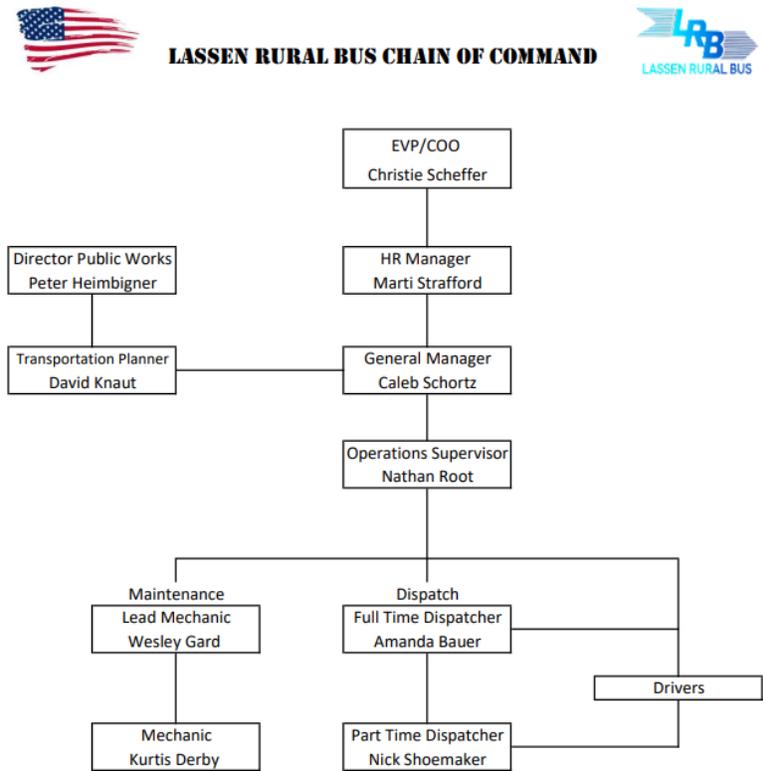
Farebox handling and reconciliation are conducted on a manual basis. LRB vehicles are equipped with nonelectronic Diamond fareboxes that have security aspects to prevent mishandling. Drivers place the vaults on the desk in the driver’s lounge. Keys to the vaults are kept in a safe. The general manager and dispatcher count the fares collected from the day before about one hour before drivers arrive for their shifts. Fareboxes can be utilized for two days. The bank deposit is conducted on Fridays whereby all the fares for the week are counted. The cash proceeds are placed in a sealable plastic bag, which is marked with the day of collection. Fare proceeds are reconciled with the manifest and farebox tally data. The farebox tally sheet tracks the number of passengers and the fare vaults assigned. Data are submitted to the LTSA for review and oversight.

During the previous audit, the auditor expressed concern about the location of the fare handling and counting, as the fare vaults holding the cash fare are visible and easily accessible on the desk in the driver’s lounge. The general manager indicated that the area where the counting takes place would be partitioned and secured from the rest of the driver’s lounge and would include a

slot where vaults would be inserted into a safer location. The LTSA started the process of building an extra room at the LRB operations facility for the storage of vaults and fare counting. Construction of the vault room, which includes video surveillance, was completed in March 2022.

Operations Personnel

Operations personnel is provided through Paratransit Services. The 13 employees assigned to the LRB include one general manager, one operations supervisor, one lead mechanic, and five full-time and five part-time employees composed of drivers and dispatchers. All dispatchers are drivers. The general manager has been in the position since May 2019 and was formerly the operations supervisor. The current operations supervisor started in September 2019 after having completed the “Train the Trainer” program. After a period of shortages and turnover, personnel levels have stabilized. During the audit period, the LRB added the part-time dispatcher as a permanent position. The organizational structure is shown below.



Source: LRB

Drivers are recruited through the Paratransit Services website (<https://www.paratransit.net/new-page>) as well as through local media publications and word-of-mouth. Candidates must be at least 21 years of age, have had a valid driver’s license for at least five years, and have the ability to obtain a commercial driver’s license (Class B with air brake and passenger endorsements) as necessary for contractual requirements. In addition, candidates must be able to successfully pass a criminal background check, a motor vehicle

records check, pre-employment drug screening, and functional capacities assessment. They must also be able to obtain a CPR/First Aid and Defensive Driving certification. Driver training follows entry-level driver training protocols and regulations. During the audit period, the general manager received his DMV instructor license and can now provide testing.

The training protocol in the operating contract stipulates a minimum of 80 hours per employee and up to 100 hours, of which 30 hours is behind-the-wheel training. The training must be completed before a driver can enter unsupervised passenger service. All employees are cross trained to be able to work any of the services offered, which adds to the overall training hour total. Drivers undergo quarterly assessments that cover air brakes and wheelchair lift and securement instruction. Drivers also receive an additional 20 hours of training throughout the year and receive monthly training memos, which they must initial to show proof of review. The average years of experience for a full-time driver is over 5 years and roughly 2 to 2.5 years for part-time drivers. Drivers must follow a strict no cell phone use policy, with the exception of West County route drivers who may use their phones to communicate to dispatch in remote areas where radio signals are less dependable.

COVID-19 Pandemic Impacts

As impacts from the novel coronavirus started to be realized in California, a state of emergency was declared on March 4, 2020. Subsequently, a mandatory statewide shelter-in-place order was implemented on March 19, 2020. The Lassen County Public Health Department reported its first confirmed COVID-19 case on May 21, 2020. In response, the LTSA implemented measures and protocols to mitigate the spread of the virus for its LRB operation. In addition, the LTSA had extensive COVID-19 protocols in accordance with the FTA and the Centers for Disease Control and Prevention. The LTSA utilized printed collateral and their website/social media to keep riders informed of changes related to COVID-19.

Unlike many transit operators, the LTSA was able to maintain service levels despite the dramatic decrease in ridership experienced during the pandemic. Maintaining service levels was critical to keep employment stable and avoid staffing shortages that were being experienced industry-wide even prior to the pandemic. Employees were also compensated for the extra time needed to perform bus cleaning and PPE supplies were purchased for employees. Driver morale was negatively affected by the unpredictable nature of the pandemic and subsequent mandates as they had to navigate how to effectively communicate and enforce requirements such as masking to their riders. No vaccine mandates were established; however, employees were required to have their temperatures checked daily and fill out a questionnaire to identify any potential COVID-19 symptoms. The LTSA also purchased driver barriers to protect both drivers and riders. Supply chain issues were experienced in regard to obtaining PPE supplies and the LTSA reached out to local distilleries for sanitation products.

Despite no reductions in service, ridership was heavily impacted by the pandemic. Prior to the COVID-19 outbreak in FY 2020, the LRB could expect an average monthly ridership anywhere from 6,500 to 7,500 riders. Monthly ridership fell to under 3,500 in April and May of 2020. Dial-

A-Ride services were the most heavily impacted service. The tables below show the effects on average weekday ridership per service:

Average Ridership on a weekday						
	FY 19/20 Pre- COVID19	FY 19/20 COVID19	Change in percent	FY 18/19	Change in percent	FY 17/18
City Route	161.09	118.50	-26.44%	162.50	-0.87%	159.09
Dial-A-Ride	83.81	19.90	-76.26%	86.50	-3.11%	79.15
South County Commuter	38.37	23.10	-39.80%	35.00	9.63%	38.50
West County	32.07	20.10	-37.32%	32.90	-2.52%	31.90
South County to Susanville	12.72	4.40	-65.41%	11.20	13.57%	10.81
East County	4.05	3.00	-25.93%	3.10	30.65%	3.89
Systemwide	332.10	224.20	-32.49%	337.06	-1.47%	329.63

Average Ridership on a Saturday						
	FY 19/20 Pre- COVID19	FY 19/20 COVID19	Change in percent	FY 18/19	Change in percent	FY 17/18
City Route	71.92	57.33	-20.29%	76.08	-5.47%	74.43
Dial-A-Ride	1.67	1.56	-6.59%	3.75	-55.47%	2.46
West County	9.35	4.95	-47.06%	11.48	-18.55%	7.58
Systemwide	82.94	63.84	-23.03%	91.31	-9.17%	84.46

Source: LTSA 2019-2020 Annual Report

While ridership did fall, the LTSA found innovative ways to utilize its existing Dial-A-Ride fleet in a period of lower demand. On April 3, 2020, the LTSA announced that the LRB would begin offering a special delivery service to the at-risk population in the community. This was a free service and eligible recipients could have groceries and prescriptions delivered to their door. Service was available within the City of Susanville and within three-quarter miles of any County route. According to the LTSA 2020-2021 Annual Report, 104 deliveries were made in FY 2020 and 923 deliveries in FY 2021.

Ridership has begun to recover after the audit period, with ridership recovering to roughly 93 percent of its FY 2019 levels. Several services were started either just prior to or during the pandemic and their overall efficiency will be reevaluated as ridership continues to stabilize. The LTSA did receive CARES Act funding, although not during the audit period covered in this report.

Maintenance

LRB vehicles are owned by the LTSA but are maintained through its contract with Paratransit Services. Vehicles are serviced and stored at the LRB operations facility located at 701-980 Johnstonville Road in Susanville. The maintenance area is composed of two service bays and two sets of lifts. The lifts are inspected every four years. New lifts were purchased following the audit period. There is also a bus wash facility on the premises, which was upgraded during the audit period. Some buses have received new wraps; however, these buses cannot be put through the bus wash. The LTSA has purchased a maintenance vehicle that features a generator, compressor, and snowplow. The LTSA received PTMISEA program grants toward the upgrade of the vehicle maintenance facility and bus purchases.

The LRB utilizes a preventive maintenance inspection (PMI) protocol based on progressive mileage inspections and servicing requirements that meet or exceed state and federal standards. The LTSA and by extension LRB hold themselves to high standards in regard to maintenance and safety and have been utilized by CHP/Federal Department of Transportation as a training tool for new officers on what to look for in inspections. PMIs are conducted after a prescribed mileage or time interval. The PMI schedule is 4,500 miles or 90 days.

The LRB uses the FleetMax software program to track PMIs, parts, and work orders. PMIs are monitored on a daily and weekly basis. FleetMax provides a color-coded alert when vehicles are approaching needed PMIs. Cummins Insite and Allison are utilized for running diagnostic tests on the engines. In addition, drivers conduct daily 15-minute pre-trip and post-trip inspections. The LRB conducts a quarterly assessment of the pre- and post-trip inspection process. There are two sets of tires allocated for each bus. There is a parts room on-site and inventory utilizes a “min-max” system where all parts are restocked once they are below a certain threshold. Inventory is reviewed monthly. Procurement is largely done through local vendors.

All maintenance is done in-house with the exception of tires and wheel alignments for the Freightliner and Gillig vehicles. Tire purchases and servicing are procured through Les Schwab Tire Center in Susanville. The Gillig buses are also inspected for fire prevention by ABC Fire in Reno, Nevada.

Road call data compiled on work orders reveal a modest number of incidences during the audit period. There was one road call in FY 2019; three road calls in FY 2020; and one road call in FY 2021. New vehicles received during the audit period had a positive effect on this indicator as well as the high maintenance standards held. The LRB has implemented a sticker program that identifies any defect on every vehicle. The stickers are memorialized in a book maintained for each vehicle for reference.

Fueling takes place at Ed Staub & Sons Petroleum located at 702-190 Johnstonville Road in Susanville. The drivers fill up at the end of each run and sign a purchase log that is maintained by the vendor. Fuel is accessed through a card-lock system available 24 hours a day.

The LRB has emphasized the goal of having its mechanics Automotive Service Excellence (ASE) certified and there is a \$750 incentive for ASE certification along with reimbursement of test costs. O'Reilly Auto Parts offers certification as well, which is incentivized with \$350 payouts. Mechanics are also required to have a Class B license with passenger endorsement. The current mechanics were recruited from Lassen Community College's automobile training program.

Planning

Transit planning and oversight are engaged through various approaches. Efforts to improve productivity of the transit services involve several methods employed by the LTSA in concert with the LCTC, including short-range transit plans (SRTP), the unmet transit needs process, and monitoring transportation performance improvement recommendations and measuring progress through statistical information provided by the LTSA and the contract operator.

Shortly after the audit period, the *Lassen County Final Transit Development Plan (TDP) 2021* was adopted in September 2021. The TDP was prepared by a consultant and funded through a Rural Planning Assistance and a Planning, Program and Monitoring grant administered by Caltrans. The aim of the TDP update was to evaluate services currently provided by the LTSA and to develop a plan to improve system performance and provision over a five-year horizon through FY 2025-26.

The TDP is composed of an introduction; study area characteristics; existing transportation services; service performance, capital assets and marketing; performance standards; public outreach summary; service alternatives; and a transit plan. Included as an appendix are the results of the online community survey. Key issues identified in the TDP included industry-wide ridership declines pre-pandemic, response to changes to public transit usage as it relates to the pandemic, population decline and aging population, reduced revenues coupled with increased costs, and unmet needs relating to services providing out-of-county transportation for residents of Lassen County.

The plan aims to address these key issues through goals and strategies related to service expansion and modification, transportation alternatives, capital improvements, and financial strategies. The service expansion recommendations include general public intercity transportation/non-emergency medical transportation between Susanville and Reno; review of the Susanville Express route performance post-pandemic, and of the Susanville City fixed-route loop; and the addition of South & East County shopper routes, on-demand service along Richmond Road, and alternative modes of transportation (micro-transit) to service lower-demand areas and lower-demand time periods. The plan also looks at service reduction alternatives to improve budget performance such as reduction of vehicles used in Saturday service, eliminating the Susanville Express route if the service does not prove successful post-pandemic, eliminating the last run of the Susanville fixed route, and elimination of Saturday services. Capital plans include continued bus stop improvements, operations and maintenance facility improvements, and fleet upgrades including zero-emission buses and electric vehicles charging infrastructure.

While zero-emission vehicles and supporting infrastructure are on the LTSA's radar, the LCTC is ultimately responsible for receiving and distributing grant funds to support this. Adding the necessary infrastructure will be the most challenging aspect of moving to a zero-emission fleet.

Following the audit period, the LTSA in collaboration with The Routing Company began a new pilot program called LRB Direct. LRB Direct is an on-demand transit service supporting the greater Susanville area (includes the City of Susanville, the corridor along Richmond Road, and Johnstonville). The service utilizes The Routing Company's Pingo App and will operate as a pilot through the end of 2022.

Marketing

Marketing and promotional efforts for the LRB are the purview of the LTSA. The LTSA is responsible for the planning, printing, and provision of all schedules, tickets, passes, transfers, and service brochures. The contract operator is tasked with the placement and scheduling of all marketing and promotional collateral.

Printed collateral includes brochures containing information about the LRB fixed-route/commuter and complementary Dial-a-Ride services. The LRB Rider's Guide is a six-page, multi-color quad-fold brochure with schedules and route maps for each route as well as fare and pass information, bus regulations, customer service contacts, and interline connections with other regional systems. The Rider's Guide was updated in February 2019 and October 2020. A subsequent update occurred in July 2022. In addition to its Rider's Guide, the LRB has produced many printed pieces of collateral to keep riders informed of the many service and route changes experienced during the audit period as well as rider information related to the COVID-19 pandemic.

Electronic and virtual marketing efforts include a website, a mobile bus tracker application, and social media. The website is maintained by LTSA staff and has its own domain: <http://www.lassenransportation.com/ltsa/lassen-rural-bus>. The web page contains a summary of LRB routes, trip planner and links to the Rider's Guide, Dial-A-Ride information, interline connections, and the Title VI Program. The ETA SPOT mobile application provides real-time bus tracking. The cover of the Rider's Guide includes quick response codes that direct mobile phone users to the ETA SPOT app and mobile website. Social media engagement involves a Facebook page. The LRB is considering using YouTube for travel training videos.

In conjunction with the Lassen Senior Center, the LRB operated a bus to take local seniors around Susanville to tour Christmas lights. In addition, ski trips for local college students and fall color rides along the Bizz Johnson Trail have been marketed on the West County Route. College ridership is viewed as a relatively untapped market and the LRB is looking into ways of providing additional services for students looking to ski, hike, and bike in the surrounding areas. The LRB also operates a safe ride home service on New Year's Eve and during Oktoberfest celebrations. A "Cool Kids Pass" during the audit period provided kids with transportation to the local public pool from Memorial Day to Labor Day. Free fare days were also conducted periodically during the audit period, with printed collateral produced to advertise these days.

The 2017 TDP established several methods of community outreach to be utilized, such as administration of on-board surveys over a five-day period, an online survey, and informational booths at community events and local shopping centers such as Rail-to-Trails Festival, Walmart, Lassen Community College, and the Lassen Senior Center. LRB services are promoted through grocery store and radio advertisements, social media engagement, and publicity events such as attending farmers markets, holding a river cleanup, and collecting shopping carts as a community service. Outreach was also done in regard to service changes where the public was invited to attend community meetings to ask questions and raise concerns about service. Online and onboard surveys were conducted in FY 2021 to obtain a better understanding of public transit needs and issues in Lassen County. A total of 139 people participated in the online survey. The survey was advertised through various local news outlets, stakeholders, and social media. The survey consisted of 15 questions and its results were considered in the completion of the updated 2021 TDP.

Pursuant to the federal Civil Rights Act of 1964, the LTSA has an adopted Title VI Program, which was adopted in May 2020. Title VI of the Civil Rights Act of 1964 requires that no person in the United States, on the grounds of race, color, or national origin, be excluded from, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance. A link to the Title VI Program is available through the LTSA web page (<https://lassentransportation.com/sites/default/files/resources/Lassen%20Transit%20Service%20Agency%20-%20Title%20VI-05112020.pdf>). Complaint forms are accessible on the LTSA website and at the LTSA office. In addition to the LTSA web page link, Title VI policy notices are posted at the County Department of Transportation and LRB offices. The LTSA is working on providing Spanish translations of their various documentation.

General Administration and Management

The LTSA was created under a joint powers agreement between the County of Lassen and the City of Susanville in July 2002. The LTSA governing board is composed of six members, who also serve on the LCTC board. Three members are appointed from the Lassen County Board of Supervisors and three members are appointed from the City of Susanville City Council. The board generally meets the second Monday of every odd-numbered month in the City of Susanville Council Chambers, located at 66 North Lassen Street in Susanville.

County of Lassen staff from the Department of Transportation/Public Works administer the LTSA operations contract with Paratransit Services. In particular, the transportation planner at the County meets weekly with the operations contractor on Wednesdays at 9:00 a.m. During the meeting, manifests, ridership, and fuel consumption are reviewed and on-time performance trends on the City route are addressed.

The operations contract during the audit period was for a three-year term from July 1, 2016, through June 30, 2019, with up to two one-year optional extensions. The contract included liquidated damages provisions with progressive penalties based on the number of occurrences per month. The LTSA reimbursed the contract operator monthly and costs were based on the

established revenue service hourly rate and the monthly rate pursuant to the contract. The contractor invoiced for actual costs minus fare revenue received. An amendment was signed in May 2019 to finalize two one-year extensions to extend the contract to June 2021. In December 2020, the LTSA released a bid for proposal for a new operations contract. Paratransit was the only bid, and a new operations contract was signed in May 2021 for a five-year term from July 1, 2021, to June 30, 2026, with two optional two-year renewals. Like the previous contract, the LTSA reimburses the contract operator monthly and costs are based on the established revenue service hourly rate and the monthly rate pursuant to the contract.

Pursuant to the TDA, the LTSA receives LTF proceeds and STA funds. TDA funding is used primarily for operations as well as for capital expenditures. Based on audited financial data, LTF revenues received during the audit period were \$612,605 in FY 2019; \$207,488 in FY 2020; and \$349,606 in FY 2021. STA revenues received were \$216,425 in FY 2019; \$335,083 in FY 2020; and \$175,988 in FY 2021.

The Transit Operators' Financial Transactions Reports submitted to the State Controller are generally prepared by the fiscal auditor and reviewed by LTSA staff. In the past, the independent fiscal auditor completed this task.

Grants Management

In addition to TDA funding, the LTSA relies on a variety of federal and state grants to support its operations and capital procurement efforts. Capital improvements rely almost solely on state and federal grant funding. Grant program receipts and expenditures are tracked on a spreadsheet prepared by LTSA staff.

Rural formula FTA Section 5311 grant funds received were applied toward operations assistance. The LCTC submits a Program of Projects that identifies subrecipients and projects to receive FTA Section 5311 funds in their planning area by December 31 of each year. In August 2020, the LCTC adopted Resolution 20-9 authorizing federal funding under the Coronavirus Aid, Relief and Economic Security (CARES) Act whereby the LTSA executive director would file and execute applications on behalf of the LCTC.

State grant funding has been derived from the LCTOP and the PTMISEA program toward service expansion, farebox support, and capital procurements. LCTOP was established by SB 862 to provide funds to transit agencies to reduce greenhouse gas emissions and improve mobility through operating and capital grants. For FY 2019, the LTSA received and expended \$10,246 of LCTOP funds for free fare days. The LTSA also expended \$20,063 in FY 2019 and \$15,940 in FY 2020 for bus shelter improvements using LCTOP funds.

Funding from the PTMISEA program has been used for improvements to bus maintenance facilities and road signs. The LTSA received and expended \$6,250 in FY 2019 for bus maintenance bay expansion. In FY 2020, LTSA received \$486,659 in PTMISEA funds and expended \$333,152 toward the purchase of new buses. As of FY 2021, \$153,507 of unspent PTMISEA funds remain. The LTSA also received \$25,188 in California Governor's Office of Emergency Services funds in FY

2020 and expended \$10,950 of this balance in FY 2021 toward an evidence locker. The LTSA continues to monitor funding under the new State of Good Repair Program under SB 1, from which it received and expended \$46,452 toward maintenance in FY 2020, and \$42,471 in FY 2021 with \$9,680 allocated to capital and \$32,791 allocated to maintenance.

Section VI

Findings

The following summarizes the findings obtained from this triennial audit covering fiscal years 2019 through 2021. A set of recommendations is then provided.

Triennial Audit Findings

1. Of the nine compliance requirements pertaining to the LTSA, the operator satisfactorily complied with eight requirements. The operator was not in compliance with regard to the timely completion and submittal of its annual fiscal and compliance audits. Two additional compliance requirements did not apply (i.e., blended and urban farebox recovery ratios).
2. Based on the available data from the *Lassen Transit Service Agency Audited Financial Statements and Compliance Reports*, the LTSA's farebox recovery ratio remained above the required 10 percent throughout the audit period. For the three-year audit period, the farebox recovery ratio calculated by the performance auditor using audited data was 15.10 percent in FY 2019; 16.02 percent in FY 2020; and 13.52 percent in FY 2021. The average system-wide farebox recovery ratio was 14.88 percent for the three years.
3. Through its contract operator, the LTSA participates in the CHP Transit Operator Compliance Program and received inspections of its transit vehicles within the 13 months prior to each TDA claim. Satisfactory ratings were made for all inspections conducted during the audit period.
4. The operating budget exhibited modest increases during each fiscal year of the audit period. The budget increased 2.5 percent in FY 2019 and 2.8 percent in FY 2020. For FY 2021, the budget increased 5.1 percent, which is attributed to higher contractor costs and a special department expense.
5. The LTSA satisfactorily implemented four out of the five prior audit recommendations, which pertained to ensuring accurate expenditure reporting in annual fiscal and compliance audits, automating the reporting system for monitoring operation metrics, implementing greater security measures for storing farebox vaults, and developing a focused bus stop improvement plan. The remaining recommendation, preparing separate State Controller Reports for general public fixed route and specialized Dial-A-Ride service, was not implemented and is being forwarded for implementation.
6. Operating cost per vehicle service hour, an indicator of cost efficiency, increased 11.2 percent system-wide from \$125.93 during FY 2018 base year to \$139.99 in FY 2021. At the modal level, fixed route/commuter cost per hour increased 18.6 percent from \$86.07 in FY 2018 to \$102.06 in FY 2021. For Dial-A-Ride, cost per hour increased 58 percent from

\$106.44 in FY 2018 to \$168.16 in FY 2021. These increases directly correlate to the 11.2 percent increase in operating costs over the audit period, as system-wide vehicle service hours initially dipped in FY 2019 and FY 2020 before returning to FY 2018 base year levels in FY 2021.

7. Operating cost per passenger, an indicator of cost effectiveness, increased 82.2 percent from \$13.80 in FY 2018 to \$25.15 in FY 2021. At the modal level, fixed route/commuter cost per passenger increased 93.5 percent from \$10.86 in FY 2018 to \$21.01 in FY 2021. For Dial-A-Ride, cost per passenger increased 101.3 percent from \$5.87 in FY 2018 to \$11.81 in FY 2021. As noted above, the LTSA's operating costs increased during the period; coupled with significant decreases in ridership because of the COVID-19 pandemic, this performance measure has experienced significant increases. System-wide passenger trips decreased 39 percent from 85,828 in FY 2018 to 52,356 in FY 2021.
8. Passengers per vehicle service hour, which measures the effectiveness of the service delivered, decreased 39 percent between FY 2018 and FY 2021, from 9.1 to 5.6 passengers per hour. At the modal level, fixed route/commuter passengers per hour decreased 38.7 percent in the same time period from 7.9 to 4.9 passengers per hour. Passengers per hour on Dial-A-Ride also decreased from 18.1 in FY 2018 to 14.2 passengers in FY 2021, a 21.5 percent decrease. The system-wide trend in this indicator is reflective of the 39 percent decrease in ridership due to the pandemic while vehicle service hours during the audit period remained consistent.
9. Passengers per vehicle service mile, another indicator of service effectiveness, decreased 38.3 percent between FY 2018 and FY 2021 from 0.37 to 0.23 passengers. At the modal level, fixed route/commuter passengers per mile decreased 36 percent from 0.30 in FY 2018 to 0.19 passengers per hour in FY 2021. On Dial-a-Ride, passengers per mile decreased 33.7 percent from 1.42 in FY 2018 to 0.94 passengers in FY 2021. From the FY 2018 base year to FY 2021, total vehicle service miles decreased 1.2 percent from 232,553 miles to 229,820 miles while the number of passenger trips decreased 39 percent because of the pandemic.
10. The LRB's ridership is composed primarily of transfers from transit-dependent markets as well as FNRC riders. The LRB also has a considerable senior/disabled rider base; however, post-pandemic, senior ridership has fallen. Approximately three-quarters of LRB's ridership is generated by the Susanville City route and Dial-A-Ride.
11. In FY 2020, a Susanville Express City route was added to supplement the Susanville City route. The Express route operates at a higher frequency at 30-minute intervals Monday-Friday. In January 2019, the LRB merged its East County service with its South County service, effectively replacing the East County service entirely. Prior to this change, the LTSA held four community meetings where riders could attend and learn more about the proposed route changes. An East County Extension service was offered on Fridays briefly following this change; however, this service was canceled as of July 2021. Additionally, in October 2020, a West County Extension route was added, providing one AM and one PM service between Lassen College and Susanville Airport. This service was canceled in July 2021.

12. An MOU was signed effective January 2019 between the LTSA and FNRC. The agreement provides free access to LRB services, including Dial-A-Ride service, to FNRC clients. In return, the FNRC must pay a monthly fee of \$115 per rider and provide a listing of eligible FNRC riders so that the LTSA can track and bill accordingly. This agreement has proven to be successful, bringing in roughly \$90,000 in revenue annually. Initially only effective until June 2020, the agreement is automatically extended on the anniversary date for a term of one year unless either party gives written notice of termination.
13. The contract operator introduced safety initiatives that reward drivers with monetary compensation for the reduction of preventable accidents. These measures have led to a significant decrease in preventable accidents, with only one occurring at the beginning of FY 2019 and no others occurring until after the audit period in FY 2022. There were only three non-preventable accidents over the course of the audit period.
14. The LTSA found innovative ways to utilize its existing Dial-A-Ride fleet in a period of lower demand because of the pandemic. On April 3, 2020, the LTSA announced that the LRB would begin offering a special delivery service to the at-risk population in the community. This was a free service and eligible recipients could have groceries and prescriptions delivered to their door. Service was available within the City of Susanville and within three-quarter miles of any County route. According to the LTSA 2020/2021 Annual Report, 104 deliveries were made in FY 2020 and 923 deliveries in FY 2021.
15. Shortly after the audit period, the *Lassen County Final Transit Development Plan (TDP) 2021* was adopted in September 2021. The TDP was prepared by a consultant and funded through a Rural Planning Assistance and a Planning, Program and Monitoring grant administered by Caltrans. The aim of the TDP update was to evaluate services currently provided by the LTSA and to develop a plan to improve system performance and provision over a five-year horizon through FY 2025-26.
16. Online and onboard surveys were conducted in FY 2021 to obtain a better understanding of public transit needs and issues in Lassen County. A total of 139 people participated in the online survey. The survey was advertised through various local news outlets, stakeholders, and social media. The survey consisted of 15 questions and its results were considered in the completion of the updated 2021 TDP.
17. County of Lassen staff from the Department of Transportation/Public Works administer the LTSA operations contract with Paratransit Services of Bremerton, Washington. The transportation planner at the County meets weekly with the operations contractor. The operations contract during the audit period was for a three-year term from July 1, 2016, through June 30, 2019, with up to two one-year optional extensions. An amendment was signed in May 2019 to finalize two one-year extensions to extend the contract to June 2021. In December 2020, the LTSA released a bid for proposal for a new operations contract. Paratransit was the only bid, and a new operations contract was signed in May 2021 for a five-year term from July 1, 2021, to June 30, 2026, with two optional two-year renewals.

18. The Independent Auditor's Report and Finding 2018-001 on the Schedule of Findings in the FY 2018 fiscal and compliance audit found an issue concerning the LTSA's financial statements due to the commingling of certain administrative expenses and revenues with the LCTC in the County's Fund 128 in fiscal years FY 2016–17. Commencing in FY 2019, the 128 fund was only for LTSA administration. The County auditor set up new fund (574) for LCTC administration. The independent financial auditor and the County auditor audited previous revenues and expenditures to accurately establish a fund balance. The LCTC accepted a claim by the County for retirement payments from the 128 fund balance. It was determined that roughly \$160,000 was due from the LCTC for the pension and other post-employment benefits liabilities of the LTSA. These payments from the LCTC will begin in FY 2023 and will be split over five years, with \$30,000 being paid annually for four years and the remaining \$40,000 being paid in the fifth year.

Recommendations

1. Prepare separate State Controller Reports for general public fixed-route and specialized Dial-A-Ride service.

The LTSA's annual Transit Operators' Financial Transactions Report to the State Controller has historically combined information for both general public (fixed route) and specialized service for seniors and persons with disabilities (Dial-A-Ride). Although the State Controller's Office has not provided notice to the LTSA, written instructions to prepare this particular report require separate reporting of these modes. In the General Instruction Form completed by the LTSA, a selection must be made as to which mode of transit is represented in the report. The options are general public use or elderly/disabled.

The *Transit Operators' Financial Transactions Report Instructions* contain the following passages under the General Instruction Form:

Transit operators providing two types of service, (general public use and transit service exclusively for the elderly/handicapped) must complete a separate report for each type of service.

... Check one box only, either "General Public Use" or "Elderly Handicapped," not both. Those agencies providing a service to the general public and an exclusive service to the elderly or handicapped must file a separate report for each type of service.

The submission of separate reports to the State Controller will demonstrate LTSA's initiative-taking approach to compliance with state reporting instructions.

The LTSA has indicated that the Transit Operators' Financial Transactions Reports submitted annually to the State Controller are completed and filed by an external, independent auditor. LTSA staff contend that the auditor could not determine the exact costs for the specialized handicapped service because, besides the direct hourly service costs from the third-party contractor, fuel, administration, and maintenance costs cannot be directly accounted for. These costs are being calculated internally for National Transit Database reporting and have been provided to the independent auditor; however, they may not be calculated in a method acceptable for State Controller's Office reporting standards. The LTSA and the independent auditor should determine an acceptable format in which to present this data so that it may be properly meet State Controller's Office reporting standards.

2. Explore new revenue streams and improve operating efficiency.

During the audit period, operating costs increased at a modest pace, with an average annual rate of change of 3.7 percent. LTSA operating costs are largely tied to the operations contract it holds with Paratransit Services Inc., where costs are tied to a fixed hourly rate per vehicle service hour and a fixed monthly rate per service month and a maximum yearly obligation.

The audit period covered in this report also coincided with the final years of the previous contract operator agreement, where variable and fixed pricing increased roughly 1.5 percent each year.

Following the audit period, a new operating contract was signed between the LTSA and Paratransit Services Inc. This new contract has significant increases in fixed and variable costs compared to the previous contract. In the final year of the previous contract ending in FY 2021, fixed monthly costs were set at \$35,884 and variable costs were set at \$26.65 per vehicle service hour with a maximum annual obligation not to exceed \$760,248. In the first year of the new contract for FY 2022, the fixed monthly costs are \$48,840 and variable costs are set at \$41.68 per vehicle service hour with a maximum annual obligation not to exceed \$1,044,560. This is a 36 percent increase in fixed monthly costs, a 56 percent increase in variable monthly price, and a 37 percent increase in the maximum annual obligation. Additionally, these costs are set to increase 3 percent annually throughout the duration of the new contract, double the annual increase of the previous contract.

The 2021 TDP aimed to address this increase in operating costs as it relates to revenue; however, the values may have been understated. The TDP projected that operating costs may overtake revenues by FY 2025 based on a 16 percent increase in operating costs from FY 2021 to FY 2022 and 2.5 percent annual growth following that. This potential understatement may lead to operating costs outpacing revenues much sooner than anticipated.

The LTSA will use CARES Act funding over the next few fiscal years that will help keep revenues higher during the initial increase in operating costs; however, this is only a temporary fix, delaying a potential budget deficit in the coming years. Additionally, with the closure of the Correctional Center in Susanville, the population may fall in the county, thus affecting federal funding that is partially tied to population values.

The TDP provides several plans which the LTSA can implement to avoid a budget deficit in the coming years. As one method, the LTSA plans to investigate a reduction and/or elimination of current services as a way to reduce operating costs of routes where ridership is not deemed sustainable. This would allow the LTSA to free up operating costs and utilize them toward higher unmet need transit services, such as non-emergency transportation to Reno. Shifting funds reserved for capital purposes to cover operating expenses is another suggested method, which may be a temporary fix and put future capital project funding at risk.

It is recommended that the LTSA look to add additional revenue streams to offset the increase in operating costs expected in the coming fiscal years. The current MOUs with Lassen College and Far Northern Regional Center have proven to be successful revenue streams and the LTSA should consider new partnerships in the surrounding areas that can provide steady revenue. The Susanville Indian Rancheria is a potential option for partnership, as Diamond Mountain Casino transportation could be a potential untapped resource for visitors not from the immediate Susanville area. Additionally, it is recommended that the LTSA review the performance of its microtransit service toward the end of its pilot program

and examine whether this service can provide a more cost-effective alternative to fiscally inefficient fixed-route services.

3. Expand transportation options to Reno and other surrounding areas.

During the audit interview, the LTSA voiced that one of the biggest current unmet transit needs revolves around providing non-emergency transportation to Reno, as well as other surrounding cities such as Redding. Currently, the Lassen Senior Services provides transportation from Susanville to Reno on Tuesdays and Thursdays for medical appointments for the senior population. The Modoc Sage Stage provides an intercity route that connects Susanville and Reno; however, there is only a two-hour layover in Reno before the bus returns to Susanville, which provides a tight window for passengers using the service for shopping or medical appointment needs.

The 2021 TDP has laid out several courses of action to address this unmet transit need. Financial and ridership analysis was done for each option. One option considered was general public intercity transportation from Susanville to Reno that would run on days opposite of the Modoc Sage Stage route. Another more favorable option was for general public, non-emergency medical transportation service that would provide service to Reno for medical appointments only. Public outreach has indicated that this is where more of the need lies, particularly with an aging population who require more medical treatments.

An additional comment received from riders is that they are disappointed in the ability to connect with outside service areas such as Redding, Red Bluff, and Chico.

The 2021 TDP lays out a timeline for implementing non-emergency medical transportation service to Reno in the coming fiscal years depending on the availability of funding. It is recommended that the LTSA follow through with the goals set forth in the 2021 TDP in regard to non-emergency transportation to Reno, as well as looking into the feasibility of additional service options to other areas currently underserved. This recommendation will be heavily dependent on the LTSA's ability to reduce costs related to current services provided and to increase revenues to allow for service expansion. This could include collaboration with surrounding transit operators to alleviate the financial burden felt by introducing new services provided solely by the LTSA.