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STAFF REPORT

SUBJECT: Triennial Transit Performance Audits

MEETING DATE: February 19, 2004 **AGENDA ITEM:** 7 D

RECOMMENDATION:

Authorize the Chair to execute an agreement with Nelson\Nygaard Consulting Associates for an amount not to exceed \$59,901 to conduct the triennial performance audits of transit operators and SBCAG as required by the Transportation Development Act (TDA).

SUMMARY:

A competitive qualifications-based selection process was used to choose a firm to conduct transit performance audits required under state law. Local representatives from large and small transit operators and Caltrans assisted SBCAG in reviewing six proposals, interviewing four firms and unanimously selecting the firm of Nelson\Nygaard Consulting Associates as the successful bidder.

DISCUSSION:

In accordance with state law, SBCAG is required to contract for performance audits of its activities and those of the transit operators to which SBCAG allocates TDA funds. This work was scheduled in the SBCAG FY 2003-04 Overall Work Program. A performance audit will be conducted of SBCAG and of each of eight transit operators: City of Lompoc Transit (COLT), Easy Lift Transportation, Santa Barbara County Transit (Cuyama Valley), Santa Barbara Metropolitan Transit District (SBMTD), Santa Maria Area Transit (SMAT), Santa Maria Organization of Transportation Helpers (SMOOTH), City of Guadalupe (Guadalupe Flyer and transit), and Santa Ynez Valley Transit (SYVT).

The audits will examine compliance with statutory and regulatory requirements, assess implementation of prior recommendations, verify transit performance indicators, and review operator and SBCAG functions for the three-year period FY 2000-01 to FY 2002-03.

A Request for Proposal to conduct these audits, required pursuant to PUC section 99246, was prepared by staff, approved by TTAC and your Board in November 2003. The RFP was mailed to over 20 consulting firms.

Member Agencies

Buellton ■ Carpinteria ■ Goleta ■ Guadalupe ■ Lompoc ■ Santa Barbara ■ Santa Maria ■ Solvang ■ Santa Barbara County

As of the January 8 submission date, responses were received from six firms: Arthur Bauer and Associates Inc., Carlos E. Soler, Macias Consulting Group Inc., Moore and Associates, Nelson\Nygaard Consulting Associates, and Urbitran Associates, Inc. No local proposals were received which was not unexpected due to the specialized nature of a transit performance audit. Estimated costs for the study varied only by 10% between all firms.

Staff from SBCAG, the City of Lompoc, Easy Lift, SBMTD, and Caltrans, reviewed the proposals. Based on this review, the committee invited four of the six firms to an interview: Moore and Associates, Nelson\Nygaard Consulting Associates, Macias Consulting Group, and Urbitran Associates Inc. All four firms were interviewed.

Following the interviews the committee unanimously selected the firm of Nelson\Nygaard based on a strong project manger and depth of experience.

The proposal was responsive and within the budgeted amount of \$60,000. Sufficient funds are already included in the General Fund budget to cover the costs of the performance audits.

Nelson\Nygaard conducted the prior performance audits in Santa Barbara County, for the period of FY 1997-98 through FY 1999-00. The proposed project team has also had extensive experience with TDA-mandated performance audits for other RTPAs and transit operators throughout the state. The schedule provides that the auditors are ready to begin work following Board approval of the agreement, and will complete the audit by the end of the fiscal year.

In conclusion, staff recommends that the SBCAG Board authorize approval of a contract for project management services with Nelson\Nygaard and Associates. Funds for the study have been included in the SBCAG FY 02-03 budget; therefore, no additional appropriations are required.

COMMITTEE REVIEW:

An ad-hoc committee was formed to review proposals and interview the top ranked firms. The committee unanimously supports the staff recommendation.

STAFF CONTACT: Michael Powers, Ruth Garcia

ATTACHMENTS: Draft Contract

AGREEMENT BETWEEN
THE SANTA BARBARA COUNTY ASSOCIATION OF GOVERNMENTS
AND
Nelson\Nygaard Consulting Associates
FOR
PROFESSIONAL AND TECHNICAL SERVICES

THIS AGREEMENT, entered into by the Santa Barbara County Association of Governments (hereinafter referred to as SBCAG) and Nelson\Nygaard Consulting Associates (hereinafter referred to as CONTRACTOR).

WITNESSETH THAT:

WHEREAS, SBCAG desires to engage CONTRACTOR to render professional and technical services to prepare Triennial Performance Audits;

WHEREAS, CONTRACTOR has demonstrated its qualifications and willingness to provide the services and undertake the work hereinafter described:

NOW, THEREFORE, the parties do mutually agree as follows:

Article 1 - Statement of Work

CONTRACTOR shall do, perform and conduct in a satisfactory manner, as determined by SBCAG, the services set forth in Appendix A, Scope of Services, of this agreement and in accordance with CONTRACTOR'S proposal dated January 8, 2004. Appendix A is attached hereto and by reference incorporated herein and made part of this Agreement. CONTRACTOR'S proposal is incorporated by reference.

Article 2 - Time of Performance

The services of CONTRACTOR are to commence after this Agreement has been executed and notice to proceed has been issued to CONTRACTOR by SBCAG. All work described herein shall be completed within six months from the date of the notice to proceed.

Article 3 - Personnel

CONTRACTOR represents that it employs, or will employ at its own expense, the personnel required to perform the services under this Agreement. CONTRACTOR specifies that the Principal in charge and Project Manager shall be Linda Rhine and CONTRACTOR staff assignments listed in the CONTRACTOR'S proposal dated January 8, 2004 shall not be changed without the prior written consent of SBCAG.

Article 4 - Compensation

CONTRACTOR agrees to perform for the benefit of SBCAG all of the services set forth and

described in Appendix "A" of the Agreement. For the performance of the services, SBCAG agrees to pay CONTRACTOR in accordance with the compensation set forth in Appendix "B", Compensation attached hereto and by reference incorporated herein and made part of this Agreement. Total compensation for direct costs paid by SBCAG to CONTRACTOR shall not exceed \$59,901. Said compensation includes all costs for direct and indirect labor charges, expenses, overhead, fee and profit, as well as any work that is subcontracted. Costs will be reimbursed on a time and materials basis.

Article 5 - Payment

Payments made under this agreement shall be in arrears and invoices may be submitted at such intervals as CONTRACTOR deems practical, but no more frequently than once a month. Invoice amounts shall not exceed actual costs incurred by CONTRACTOR and shall be in proportion to the amount of work completed. Invoices submitted by CONTRACTOR shall include a brief progress report. SBCAG shall reimburse CONTRACTOR within thirty (30) days of receipt of an acceptable invoice. No more than 90% of the proposed price shall be paid until completion of the entire study.

Article 6 - Reports

Upon completion of all services, CONTRACTOR shall submit to SBCAG a final report in the form of a letter certifying completion of all the tasks set forth and described in Appendix A of this Agreement.

Article 7 - Subcontractors

Subcontractors eligible to work on this project include only those subcontractors listed in the CONTRACTOR'S proposal dated January 8, 2004 and shall not be changed without the prior written consent of SBCAG.

Article 8 - Insurance

CONTRACTOR shall procure and maintain the following required insurance coverage during performance of this agreement:

- a. Workers' Compensation Insurance with an insurance company acceptable to SBCAG. Statutory Workers' Compensation and employer's Liability Insurance, with limits of at least One Million (\$1,000,000), shall cover all employees while performing any work incidental to the performance of this agreement.
- b. General and Automobile Liability Insurance with an insurance company or companies acceptable to SBCAG. General Liability Insurance shall include personal injury liability with employee exclusion (c) deleted and shall afford coverage for all premises and operations of the CONTRACTOR and/or agents or subcontractors of CONTRACTOR. Automobile Liability Insurance shall cover all non-owned motor vehicles, which are operated on behalf of CONTRACTOR pursuant to activities hereunder. SBCAG, its officers, employees and agents shall be named as additional insured. The limit of liability of said policy or policies for general and automobile liability shall be at least Five Hundred Thousand Dollars (\$500,000) per occurrence combined single limit for bodily injury and property damage. Personal injury coverage shall also be in the amount of at least Five Hundred Thousand Dollars (\$500,000) per person aggregate. Said policy or

policies shall contain a provision or endorsement that the insurance as is afforded by this policy shall be primary and contributory to the full limits stated in the declarations, and if SBCAG has other valid and collectible insurance for a loss covered by the policy, that other insurance shall be excess only.

Current certificates for required insurance shall be maintained at all times during performance of this Agreement in the SBCAG office as a condition precedent to payment by SBCAG under this Agreement. Failure to comply with the insurance requirements shall place CONTRACTOR in default. Upon request by SBCAG, CONTRACTOR shall provide certified copies of any insurance policies to SBCAG within ten (10) working days. The policies of insurance shall provide that no cancellation, major change in coverage, or expiration shall be effective or occur until at least THIRTY (30) days after receipt of such notice by SBCAG.

Article 9 - Responsibility for Claims and Liabilities

CONTRACTOR shall defend, at its sole expense, any claim or suit against the SBCAG, their subsidiaries, and their officials alleging injury or loss (including without limitation bodily injury, death, personal injury or property damage) directly resulting from the negligent acts or omissions of CONTRACTOR, its employees or SUBCONTRACTORS in the course of CONTRACTOR'S performance hereunder (and without any contributory or collateral negligence on the part of the above named entities, their subsidiaries, officials, contractors, agents or volunteers) and CONTRACTOR shall pay all costs (including reasonable legal costs) and damages finally awarded; provided that CONTRACTOR is given prompt written notice of such claim or suit and, further, that CONTRACTOR shall be given necessary information, reasonable assistance, and the sole authority to defend or settle such claim or suit.

Article 10 - Assignability

Without the written consent of SBCAG, this agreement is not assignable by contract either in whole or in part.

Article 11 - Termination of Contract for Cause

If, through any cause, CONTRACTOR shall fail to fulfill in a timely and proper manner its obligations under this contract, or if CONTRACTOR violates any of the covenants, agreements, or stipulations of this Agreement and fails to cure or correct such failure or violation within 15 days of written notice of the same, SBCAG shall thereupon have the right to terminate this contract by giving written notice to CONTRACTOR of such termination and specifying the effective date thereof, at least five (5) days before the effective date of such termination. In that event, all finished and unfinished documents, data, studies, and reports prepared by CONTRACTOR shall, at the option of SBCAG, become its property, and CONTRACTOR shall be entitled to receive just and equitable compensation for any satisfactory work completed on such documents and other materials.

Notwithstanding the above, CONTRACTOR shall not be relieved of liability to SBCAG for damages sustained by SBCAG by virtue of any breach of the contract by CONTRACTOR.

Article 12 - Termination of Contract for Convenience

SBCAG may terminate this contract at any time by giving written notice to CONTRACTOR of such termination. The date of termination shall be the date of notice of termination. In that event, all finished or unfinished documents and other materials shall, at the option of SBCAG, become its property. If the contract is terminated by SBCAG as provided herein, CONTRACTOR shall be paid an amount which bears the same ratio to the total compensation as the services actually performed bear to the total services of CONTRACTOR covered by this contract, less payments of compensation previously made.

Article 13 - Contract Changes

SBCAG may, from time to time, require changes in the scope of the services CONTRACTOR is to perform or changes in other Articles of this Agreement, including any increases or decreases in the amount of CONTRACTOR'S compensation. Such changes which are mutually agreed upon by and between SBCAG and CONTRACTOR shall be incorporated in written amendments to this contract. No oral understanding or agreement not incorporated herein shall be binding on any of the parties hereto. Amendments inconsistent with the provisions and intent of this Agreement may not be utilized.

Article 14 - Access to Records

CONTRACTOR agrees to maintain all books, documents, papers, accounting records, and other evidence pertaining to costs incurred including support data for cost proposals and to make such material available at their respective offices at all reasonable times during the contract period, and for four (4) years from the date of final payment under the contract, for inspection by any authorized representative of SBCAG. Copies of such material shall be furnished if requested.

Article 15 - Contractor Warranty

CONTRACTOR warrants that he has not employed or retained any company or persons, other than a bona fide employee working solely for CONTRACTOR, to solicit or secure this contract, and that he has not paid or agreed to pay any company or person, other than a bona fide employee working solely for CONTRACTOR, any fee, commission, percentage, brokerage fee, gifts, or other consideration, contingent upon or resulting from the award or making of this contract. For breach or violation of this warranty, SBCAG shall have the right to annul this contract without liability, or otherwise recover, the full amount of such fee, commission, percentage, brokerage fee, and gift or contingent fee.

Article 16 - Equal Employment Opportunity and Nondiscrimination

CONTRACTOR shall comply with Title VI of the Civil Rights Act of 1964, as amended, and with the provisions contained in 49 CFR 21 through Appendix C and 23 CFR 710.405(b). During the performance of this Agreement, the CONTRACTOR, for itself, its assignees and successors in interest agrees as follows:

- A. Compliance with Regulations: CONTRACTOR shall comply with the regulations relative to nondiscrimination in federally-assisted programs of the Department of Transportation

(hereinafter, "DOT") Title 49, Code of Federal Regulations, Part 21, as they may be amended from time to time (hereinafter referred to as the Regulations), which are herein incorporated by reference and made a part of this contract.

- B. Nondiscrimination: The CONTRACTOR or subcontractor shall not discriminate on the basis of race, color, national origin, or sex in the performance of this contract. The CONTRACTOR shall carry out applicable requirements of 49 CFR part 26 in the award and administration of DOT-assisted contracts. Failure by the contractor to carry out these requirements is a material breach of this contract, which may result in the termination of this contract or such other remedy as recipient deems appropriate. CONTRACTOR, with regard to the work performed by it during the agreement, shall not discriminate on the grounds of race, religion, color, sex, age or national origin in the selection or retention of subcontractors, including procurement of materials and leases of equipment. CONTRACTOR shall not participate either directly or indirectly in the discrimination prohibited by Section 21.5 of the Regulations, including employment practices when the contract covers a program set forth in Appendix B of the regulations.
- C. Solicitations for Subcontractors, including Procurement of Materials and Equipment: In all solicitations either by competitive bidding or negotiations made by CONTRACTOR for work to be performed under the subcontract, including procurement of materials or leases of equipment, each potential subcontractor or supplier shall be notified by CONTRACTOR of CONTRACTOR'S obligations under this agreement, and the Regulations relative to nondiscrimination on the grounds of race, religion, color, sex, age or national origin.
- D. Information and Reports: CONTRACTOR shall provide all information and reports required by the Regulations or directives issued pursuant thereto, and shall permit access to its books, records, accounts, other sources of information, and its facilities as may be determined by SBCAG to be pertinent to ascertain compliance with such Regulations, orders and instructions. Where any information required of a CONTRACTOR is in the exclusive possession of another who fails or refuses to furnish this information, CONTRACTOR shall so certify to SBCAG, and shall set forth what efforts it has made to obtain the information.
- E. Sanctions for Noncompliance: In the event of CONTRACTOR's noncompliance with the nondiscrimination provisions of this Agreement, SBCAG shall impose such contract sanctions as it may determine to be appropriate, including, but not limited to:
 - 1. Withholding of payments to CONTRACTOR under this Agreement until CONTRACTOR complies, and/or
 - 2. Cancellation, termination or suspension of the Agreement in whole or in part.
- F. Satisfactory Performance: The prime contractor agrees to pay each subcontractor under this prime contract for satisfactory performance of its contract no later than 10 days from the receipt of each payment the prime contractor receives from SBCAG. Any delay or postponement of payment from the above referenced time frame may occur only for good cause following written approval of SBCAG. This clause applies to both DBE and non-DBE subcontractors

- G. Release of Retainage: The prime contractor agrees further to release retainage payments to each subcontractor within 30 days after the subcontractor's work is satisfactorily completed. Any delay or postponement of payment from the above referenced time frame may occur only for good cause following written approval of SBCAG. This clause applies to both DBE and non-DBE subcontractors.
- H. Incorporation of Provisions: The Consultant shall include the provisions of Article 16 (A) through (G) of this Agreement term in every subcontract, including procurement of materials and leases of equipment, unless exempt from the regulations, or directives issued pursuant thereto. CONTRACTOR shall take such action with respect to any subcontract or procurement as SBCAG may direct as a means of enforcing such provisions including sanctions for noncompliance. However, in the event CONTRACTOR becomes involved in, or is threatened with, litigation with a subcontractor or supplier as a result of such direction, CONTRACTOR may request SBCAG to enter into such litigation to protect the interests of SBCAG, and in addition, CONTRACTOR may request the United States to enter into such litigation to protect the interests of the United States.

Article 17 – Ownership of Documents and Data

All documents, records, software, reports, or other data developed by CONTRACTOR shall become the property of SBCAG when prepared, whether delivered to SBCAG or not.

Article 18 – Severability

In the event that any of the provisions, or portions or applications thereof of this Agreement are held to be unenforceable or invalid by any court of competent jurisdiction, SBCAG and CONSULTANT shall negotiate an equitable adjustment in the provisions of this Agreement, and the validity and enforceability of the remaining provisions or portions or applications thereof shall not be affected thereby.

Article 19 – Notices

Any notices required or permitted to be given pursuant to this agreement shall be given to the following:

To SBCAG: Santa Barbara County Association of Governments
260 N. San Antonio Rd., Ste. B
Santa Barbara, CA 93110-1315
Attention: Jim Kemp, Executive Director

To CONTRACTOR: Ms. Linda Rhine, Partner
Nelson\Nygaard Consulting Associates
Suite 900
833 Market Street
San Francisco, CA. 94103-1817

IN WITNESS WHEREOF, SBCAG and CONTRACTOR have executed this agreement.

**SANTA BARBARA COUNTY
ASSOCIATION OF GOVERNMENTS**

CONTRACTOR

Chair, SBCAG

Date: _____

Date: _____

Jim Kemp
Executive Director

APPROVED AS TO FORM:

Date: _____

Kevin Ready, Sr.,
Deputy County Counsel

APPENDIX “A”

SCOPE OF WORK

Work Plan

The work plan is presented in two sections. The first section describes the tasks to complete the audit of SBCAG, and the second section describes the tasks to complete the transit operator audits.

Planning Agency Audit

Task 1: Project Initiation

The audit team will confer with SBCAG personnel to clarify the roles of the consultant and SBCAG in the audit process, identify SBCAG personnel and Board Members to be interviewed as part of this audit, briefly review major events during the audit period and determine any other concerns or issues that need to be addressed as part of the detailed audit.

The product of this initial conference, which will be conducted by telephone, will be a detailed audit schedule and summary of key issues raised and/or resolved.

We will submit, in writing, a preliminary list of the documents and data that will be needed from SBCAG. A partial list of the reports, documents and the type of data required for this audit include:

- The Overall Work Program for each of the fiscal years reviewed
- The current Regional Transportation Plan
- TDA/STA claims manual or instructions
- Unmet transit needs analyses and findings for the audit years
- Annual Reports or other year-end summaries
- Sample Board and committee packets and minutes

Task 2: Review Major Responsibilities and Accomplishments

Working from documents supplied by SBCAG and during our site visit to SBCAG offices, Nelson\Nygaard will review SBCAG’s major responsibilities to determine if there have been any changes in responsibilities or additional roles added since the completion of the last audit. This task will also identify major accomplishments since the last audit.

Identifying and documenting major accomplishments serves two purposes: 1) it provides an internal perspective of the agency's accomplishments by allowing SBCAG staff and Board members an opportunity to recognize achievements, and 2) it provides an external review for outside agencies to fully comprehend all of the myriad responsibilities and accomplishments of SBCAG.

This task will be conducted by reviewing SBCAG's bylaws, the Overall Work Program, Joint Powers Agreements, Board packets and other essential documents to identify major areas of responsibility. We will also obtain local information regarding SBCAG through on-site and telephone interviews with agency staff, governing Board members and any other sources identified by SBCAG staff, including the SBCAG website.

We will outline the roles and primary responsibilities that SBCAG serves in the County. This information will be compiled in table format to aid in examining these responsibilities and major accomplishments.

Task 3: Determine Compliance

The *Performance Audit Guidebook* identifies 14 requirements from the Public Utilities Code and the California Code of Regulations that auditors should review for compliance. Briefly, they are:

1. LTF claims are limited to apportionments.
2. Regulations have been adopted for pedestrian and bicycle claims.
3. A Social Services Transportation Advisory Council and citizen participation process have been established.
4. Productivity improvements have been identified.
5. TDA claimants submit annual fiscal audits.
6. Performance audits have been conducted.
7. Performance audits have been submitted to Caltrans.
8. Operator performance audits include required content.
9. Rules for fare revenue ratios have been established.
10. Rules for evaluating TDA Article 4.5 claims have been adopted.
11. STA funds are allocated only for transportation planning and transit.
12. STA funds are properly allocated to operators.
13. The unmet transit needs process has been properly conducted.
14. SBCAG has had and submitted an annual fiscal audit with the required content

Some of the requirements of the law have been changed since this guidebook's list was compiled. We will take all the relevant changes into account.

We will document SBCAG compliance by reviewing relevant reports, Board resolutions, records of public hearings, and correspondence. Management control systems to assure compliance will be reviewed as well as the results of the process. Interviews will be held with staff and Board members, if appropriate, to clarify existing practices and areas of concern. Particular attention will be paid to issues that have arisen since the last triennial audit (if applicable).

We will review the process for meeting all of the compliance requirements including receipt of information, how this information is processed and the resulting actions and/or recommendations. In addition to verifying compliance, we will also make recommendations to improve efficiency, if applicable. We will identify any areas that may require procedural changes or refinements to existing SBCAG practices. Any resulting recommendations will be prioritized.

Task 4: Follow Up Prior Audit Recommendations

The purpose of this task is to review the previous audit recommendations and determine their status. This will include documenting whether previous audit recommendations were fully, partially or not implemented. If the recommendation was partially or not implemented we will determine whether it is still relevant, and document the reasons why SBCAG may have rejected, delayed, or deferred implementation. Prior audit recommendations will be reviewed through written information and interviews with relevant agency staff.

Task 5: Conduct Functional Review

We will review the functional areas that were discussed in the section entitled “Our Approach to Performance Audits.” As noted there, the review will focus mainly on those elements of SBCAG’s work that are related to transit and the administration of TDA. We will confer with SBCAG staff to ensure that this part of the audit is properly focused and covers any issues of concern to the agency. Topics that are typically addressed include:

- Effective functioning of committees.
- Communication with the Board so it understands issues and can provide appropriate guidance.
- Effective administration of the TDA claims and funding process.
- Activities to support transit operators and promote coordination.
- Adequate staffing and resources to carry out responsibilities.

These topics will be addressed through review of documents, discussions with staff, and interviews with Board and committee members. If appropriate, comparisons with other planning agencies can also be included.

Task 6: Draft Performance Audit

Nelson\Nygaard will provide a draft audit to SBCAG for staff review in electronic and/or hard copy format (up to five copies) as convenient to staff.

Task 7: Final Performance Audit

Based on comments received, a Final Performance Audit Report will be prepared. The final audit will be submitted as one unbound copy, up to five bound copies as needed by SBCAG, and an electronic copy.

Transit Operator Audits

Task 1: Pre-Audit Consultation

The audits will begin with a preliminary telephone consultation with SBCAG and transit operator staff. Topics to be covered will include:

- The schedule for each audit.
- Relevant events in the last few years that bear on audit plans.
- Specific issues facing each operator that we need to be aware of.
- Key issues to be addressed.
- Protocol to be used at each operator regarding who is to be interviewed and under what conditions.
- What measures, if any, beyond the five required ones, should be addressed.
- Availability of documentation and alternatives sources of information.

Task 2: Preliminary Data Review

Work on the audit will begin with a request for basic documentation. Typical documentation includes:

- Copies of TDA claims for operating and capital assistance for the past three years.
- Copies of recent transit plans and other related studies.
- TDA Fiscal audits and State Controller's reports for the past four years (the three audit years and the last year of the prior audit period to be used as a baseline for computing trends).
- Public information materials such timetables, route maps, or other published service information.
- Mission statements, goals/objectives, service levels/ridership targets.
- Previous performance audits.

In order to make efficient use of staff time, we will chart the TDA-required and suggested performance measures from the data obtained in these documents. By carrying out these calculations prior to our detailed audit site visit, we will be able to make the best use of operator staff time. To the extent that information is available, these charts will cover a minimum of six years rather than three years, since three years is not really sufficient to discern trends. Cost indicators will be normalized for inflation. We will use the CPI for the LA Metro Region and show actual and constant dollars in our graphs and charts.

When analyzing cost trends, we will consider several factors such as the CPI, labor agreements and other relevant factors. Labor agreements for MTD and other services with in-house operations will be reviewed to fully assess impacts on cost trends. A sample format for presenting the data from a recent audit is shown in Figures 1 and 2.

Figure 1 Sample Format for Transit System Trends

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Performance Measures						
Operating Cost <i>Change over Previous Year</i>	\$9,628,979	\$9,052,443	\$9,263,367	\$9,962,225	\$11,941,462	\$13,248,031
		-6.0%	2.3%	7.5%	19.9%	10.9%
Fare Revenue	\$3,383,997	\$3,895,427	\$3,791,737	\$3,869,994	\$3,759,591	\$4,065,259
		15.1%	-2.7%	2.1%	-2.9%	8.1%
Vehicle Service Hours	162,012	149,766	148,058	154,020	189,351	198,650
		-7.6%	-1.1%	4.0%	22.9%	4.9%
Vehicle Service Miles	2,336,043	2,268,819	2,288,895	2,306,437	2,578,362	2,737,044
		-2.9%	0.9%	0.8%	11.8%	6.2%
Total Passengers	3,749,871	3,736,926	3,967,287	3,925,625	4,197,759	4,747,466
		-0.3%	6.2%	-1.1%	6.9%	13.1%
Employees	147	143	147	161	220	235
		-2.7%	2.8%	9.5%	36.6%	6.8%
Performance Indicators						
Operating Cost Per Hour	\$59.43	\$60.44	\$62.57	\$64.68	\$63.07	\$66.69
		1.7%	3.5%	3.4%	-2.5%	5.7%
Operating Cost Per Passenger	\$2.57	\$2.42	\$2.33	\$2.54	\$2.84	\$2.79
		-5.7%	-3.6%	8.7%	12.1%	-1.9%
Passengers Per Hour	23.15	24.95	26.80	25.49	22.17	23.90
		7.8%	7.4%	-4.9%	-13.0%	7.8%
Passengers Per Mile	1.61	1.65	1.73	1.70	1.63	1.73
		2.6%	5.2%	-1.8%	-4.3%	6.5%
Farebox Recovery	35.1%	43.0%	40.9%	38.8%	31.5%	30.7%
		22.4%	-4.9%	-5.1%	-19.0%	-2.5%
Hours per Employee	1,102	1,047	1,007	957	861	845
		-5.2%	-4.0%	-5.3%	-11.1%	-1.82%

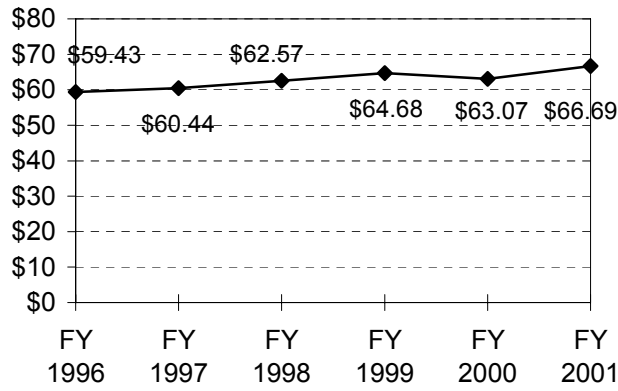
Sources:

FY 1996 through FY 1998 - from prior audit report

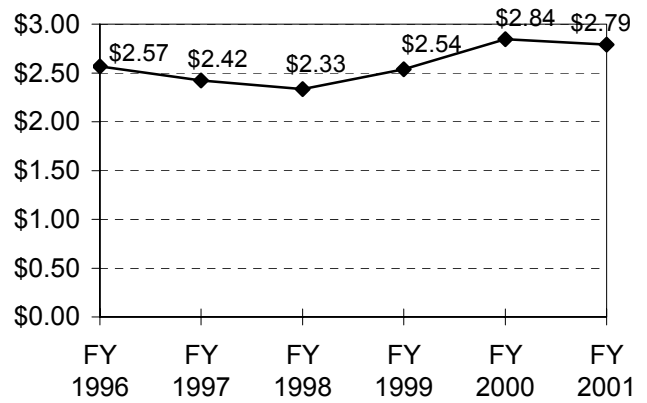
FY 1999 through FY 2001: Operating Cost and Fare Revenue from Independent Auditor's Report

FY 1999 through FY 2001: Vehicle Service Hours, Vehicle Service Miles and Total Passengers from State Controller's Report. Employee Full-Time Equivalents from National Transit Database reports.

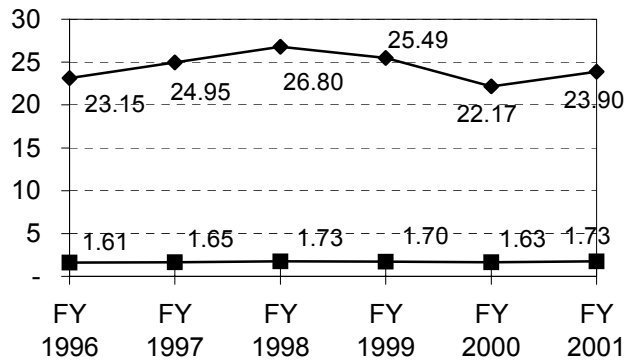
Figure 2 Sample Performance Trend Graphs



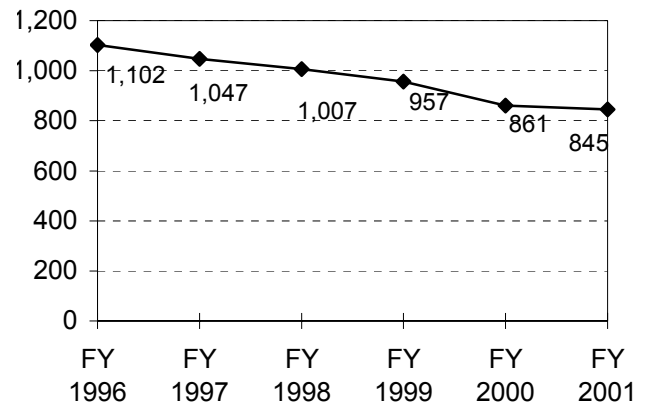
◆ Operating Cost Per Hour



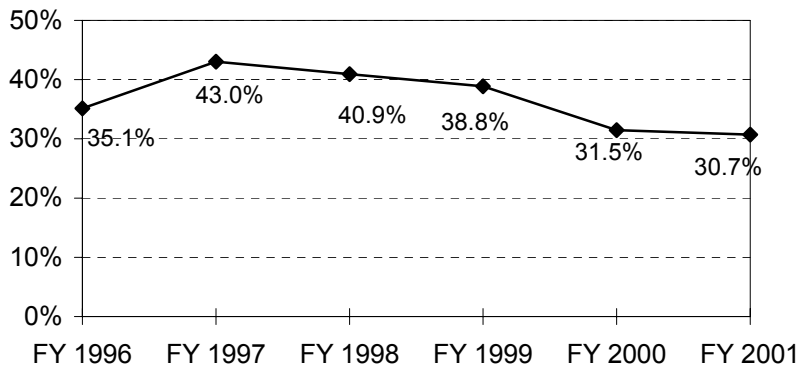
◆ Operating Cost Per Passenger



◆ Passengers Per Hour ■ Passengers Per Mile



◆ Hours per Employee



◆ Farebox Recovery

Task 3: Operator Site Visits

There will be a single site visit for each operator. The audit team will spend anywhere from a few hours to a full day on site depending on the size of the operator. During this time we will interview staff, review the performance trends to determine the forces behind them, review procedures for collecting the performance data, observe operations, and discuss ideas for addressing any concerns.

Prior to each site visit, we will prepare and submit an interview guide to the operator. The interview guides will identify the staff we will need to interview and the topics we will need to address with them. As much as possible the interview guides will identify what documentation we will want to review while on site.

Task 4: Determine TDA Compliance

The *Performance Audit Guidebook* identifies 12 TDA compliance requirements that are relevant to operators. Copies of submittal memos, claims, budgets, etc. will be reviewed to determine compliance with the relevant items. Any points of confusion will be resolved through direct discussion with staff. We will review the process for meeting all of the compliance requirements including receipt of information, how this information is processed and the resulting actions and/or recommendations. In addition to verifying compliance, we will also make recommendations to improve efficiency, if applicable

Task 5: Determine Status of Prior Audit Recommendations

In the course of the site visit and document review, the audit team will determine what progress has been made in implementing recommendations from the previous performance audit. For each recommendation, we will determine whether it has been implemented, and if not, whether implementation is in progress or planned. Accomplishments in implementing recommendations will be described and recognized. For recommendations that have been delayed or canceled, a reason will be determined and the recommendation will be deemed to be no longer applicable, infeasible, or still valid and implementable.

Task 6: Verify Performance Indicators

The purpose of this task is to verify the five required measures and to verify compliance with regional and state reporting requirements. The TDA-required measures are:

1. Operating cost per passenger
2. Operating cost per vehicle service hour
3. Passengers per vehicle service hour
4. Passengers per vehicle service mile
5. Vehicle service hours per employee

These require that five basic measures be verified:

1. Operating cost
2. Unlinked passengers
3. Vehicle service hours
4. Vehicle service miles
5. Full-time equivalent employees

We will check that each of these performance measures is being computed correctly. Spot checks of original source documents will be used to make this determination. We will obtain samples of vehicle logs, dispatch records, reservations records, and maintenance records. The verification process consists of tracing back the reported item to its original source on a sample basis. For example, the reported patronage number for one year would be checked against monthly totals from internal reports. The total for a month would then be checked against daily totals. The total for a day would be checked against totals for routes or vehicles, which would be verified using original driver or dispatcher logs.

Task 7: Conduct Functional Review

At this stage, we will review key functional areas. These reviews will use information gathered during the site visit supplemented as needed by telephone, fax, and e-mail. The key transit operator functions can be divided into the following areas:

- General management and administration
- Transit operations
- Marketing and public information
- Vehicle maintenance
- Service planning

The review will be conducted using the locally established targets, trend analysis, and our professional judgment. We will use interviews with key staff to determine how individual operators actually monitor performance, and their opinions about issues and how to resolve them. Performance will be measured based on documentation provided by the operator, as well as on-site inspection. For example in the operations and maintenance area, it is essential to see the facilities being used to judge their adequacy, and to see maintenance records to establish that preventive maintenance schedules are being observed. In rare cases, a peer comparison may be used with the operator's concurrence.

The scope of these functional reviews will be sized appropriately to each operator. For example, the reviews for Lompoc and Solvang and especially for Guadalupe will be much simpler than the review for MTD. The functional review will take into account trends in the required indicators; the review of prior audit recommendations; indicators

from planning documents and reports; comparison of adopted goals, objectives, and performance standards with actual performance; and interviews with operator staff and governing board members as appropriate. These areas will then be investigated and recommendations offered to improve performance.

Task 8: Prepare Draft Audit Reports

With the concurrence of SBCAG, we propose to submit a preliminary version of the draft report to each operator for factual review before it is formally submitted to SBCAG. Comments received from the operators will then be incorporated in draft reports, which will be available for formal review and comment. The reports will include:

- Purpose, scope, and methods of the audit.
- A description of the operator and key changes that have occurred since the previous audit.
- A determination of compliance with TDA code requirements.
- Verification of the required performance measures.
- An analysis of trends in the performance indicators.
- Implementation efforts with respect to prior audit recommendations.
- An assessment of performance in each functional area compared to established or informal goals and objectives and the results of any follow-up investigation into areas of concern.
- Findings, including positive accomplishments and opportunities for improvement.
- Recommendations for improving performance.

Nelson\Nygaard will provide draft transit operator audits for review by SBCAG and the operators in electronic and/or hard copy format (up to five copies) as convenient to staff.

Task 9: Final Performance Audit

Based on comments received, up to five bound copies will be prepared for each operator. The final audits will be submitted as one unbound copy, up to five bound copies as needed by SBCAG, and an electronic copy.

Project Schedule

The work will be conducted according to the following time line:

- Begin work February 19, 2004
- Audit field work Feb. – March 2004
- Administrative draft to operators April 30, 2004
- Draft final reports May 6, 2004
- Final Reports June 3, 2004
- Presentation to SBCAG Board June 17, 2004

Graphical Schedule of Tasks

	February	March	April	May	June
Audit Field Work					
Prepare Administrative Draft					
Prepare Draft Final Report					
Prepare Final Report					
Presentation to SBCAG					

Exhibit B

Cost Proposal

Staff Hourly Billing Rate:	Koffman	Rhine	Williams	Tran	Support	Total	Total	Travel	Phone	Total	5%	Total
	\$119.90	\$119.90	\$70.00	\$59.95	\$59.95	N/N Hours	NN/Labor Cost (\$)		Printing Supplies	Direct Costs	Mark Up	Cost Task
Tasks												
SBCAG Audit												
1. Project Initiation	2					2	\$240		\$25	\$25	\$1	\$266
2. Accomplishments/Responsibilities	8		8			16	\$1,519	\$600	\$25	\$625	\$31	\$2,175
3. Compliance Audit	4		4			8	\$760		\$25	\$25	\$1	\$786
4. Status of Prior Audit	4					4	\$480		\$25	\$25	\$1	\$506
5. Functional Audit	16		8			24	\$2,478		\$50	\$50	\$3	\$2,531
6. Draft Audit Report	8	4	4		4	20	\$1,959		\$75	\$75	\$4	\$2,037
7. Final Audit Report**	4				2	6	\$600		\$100	\$100	\$5	\$705
<i>Subtotal</i>	<i>46</i>	<i>4</i>	<i>24</i>	<i>0</i>	<i>6</i>	<i>80</i>	<i>\$8,035</i>	<i>\$600</i>	<i>\$325</i>	<i>\$925</i>	<i>\$46</i>	<i>\$9,006</i>
Transit Operator Audits												
1. Pre-Audit Consultation	2	4				6	\$719		\$100	\$100	\$5	\$824
2. Preliminary Data Review	4	8	4	6		22	\$2,079		\$100	\$100	\$5	\$2,184
3. Operator Site Visits	12	20	8	20		60	\$5,596	\$2,000	\$100	\$2,100	\$105	\$7,801
4. TDA Compliance	8	16	8	16		48	\$4,397		\$100	\$100	\$5	\$4,502
5. Status of Prior Audit	4	12	8	12		36	\$3,198		\$100	\$100	\$5	\$3,303
6. Performance Indicators	16	30	24	40		110	\$9,593		\$100	\$100	\$5	\$9,698
7. Functional Review	16	40	12	24		92	\$8,993		\$100	\$100	\$5	\$9,098
8. Draft Audit Report	8	24	8	24	30	94	\$7,634		\$200	\$200	\$10	\$7,844
9. Final Audit Report**	6	24	8	8	8	54	\$5,116	\$400	\$100	\$500	\$25	\$5,641
<i>Subtotal</i>	<i>76</i>	<i>178</i>	<i>80</i>	<i>150</i>	<i>38</i>	<i>522</i>	<i>\$47,325</i>	<i>\$2,400</i>	<i>\$1,000</i>	<i>\$3,400</i>	<i>\$170</i>	<i>\$50,895</i>
TOTAL	122	182	104	150	44	602	\$55,360	\$3,000	\$1,325	\$4,325	\$216	\$59,901

*Includes 118% overhead and 10% fee.

** Assumes One presentation to the SBCAG Board for SBCAG and transit operator audits. The costs are shown in the transit operator budgets.