

SJCOG

SAN JOAQUIN COUNCIL OF GOVERNMENTS

Triennial Performance Audit for FY 2019 - FY 2021 San Joaquin Council of Governments

MARCH 2022
FINAL REPORT



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Chapter 1 | Executive Summary

The Triennial Performance Audit of the San Joaquin Council of Governments (SJCOC) covers a three-year period ending June 30, 2021. The California Public Utilities Code requires all Regional Transportation Planning Agencies conduct an independent Triennial Performance Audit in order to be eligible for State of California Transportation Development Act (TDA) funding.

In 2021, SJCOC selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the seven public transit operators to which it allocates TDA funding. Moore & Associates, Inc. is a consulting firm specializing in public transportation. Selection of the consultant followed a competitive procurement process.

This chapter summarizes key findings and recommendations developed during the Triennial Performance Audit (TPA) of SJCOC as the RTPA for the period:

- Fiscal Year 2018/19,
- Fiscal Year 2019/20, and
- Fiscal Year 2020/21.

The performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require the auditor plan and perform the audit so as to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The auditors believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The review was also conducted in accordance with the processes established by the California Department of Transportation, as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*.

The Triennial Performance Audit includes five elements:

1. Compliance requirements,
2. Follow-up of prior recommendations,
3. Analysis of internal goal setting and strategic planning efforts,
4. Review of the RTPA's functions and activities, and
5. Findings and recommendations.

Test of Compliance

With one exception, the San Joaquin Council of Governments adheres to Transportation Development Act (TDA) regulations in an efficient and effective manner:

1. The San Joaquin Council of Governments did not submit a letter to Caltrans certifying completion of the operator audits for the FY 2015 – FY 2018 audit cycle.

Status of Prior Recommendations

The prior Triennial Performance Audit – completed in 2019 by Moore & Associates, Inc. for the three fiscal years ending June 30, 2018 – included the following recommendations:

1. Work with the fiscal and compliance auditor to ensure audits can be completed within the time stipulated by the TDA.
Status: Implemented.
2. Work with the auditor to ensure on-time completion of the triennial performance audit.
Status: Implemented.
3. When triennial performance audits are submitted more than one year following the end of the triennium, SJCOG should withhold TDA allocations until the audits are completed.
Status: Implemented.
4. Upon completion of the triennial performance audit process, SJCOG must prepare a transmittal letter to Caltrans which certifies the completion of the operator audits and accompanies submittal of the RTPA audit.
Status: Not implemented.
5. Incorporate Caltrans' "Regional Transportation Plan Checklist for MPOs" into the RTP/SCS document.
Status: Implementation in progress.
6. Incorporate a form that assesses the implementation status of productivity and/or TDA triennial performance audit recommendations as part of the TDA claims process.
Status: Implemented.
7. Consider adding a 0.5 FTE position for the Finance department.
Status: Implemented.

Goal Setting and Strategic Planning

SJCOG provides a broad range of regional planning for San Joaquin county as the RTPA and MPO, as well as the Airport Land-Use Commission, Census Data Center, Congestion Management Agency, and Local Transportation Authority. The primary regional planning document is the Regional Transportation Plan and Sustainable Communities Strategy (RTP/SCS). The RTP is a long-range transportation plan providing a vision for regional transportation investments. The Sustainable Communities Strategy (SCS) element, required under SB 375, demonstrates the integration of land-use, transportation strategies, and

transportation investments that will help San Joaquin county meet regional greenhouse gas reduction targets.

The current Plan, which was adopted on June 28, 2018, was built on the “ambitious and achievable” 2014 Plan with updated planning assumptions. The 2018 Plan considers the role of transportation including economic factors, quality of life issues, and environmental factors. The Sustainable Communities Strategy (SCS) element demonstrates the integration of land use, transportation strategies, and transportation investments that will help San Joaquin County meet regional greenhouse gas reduction targets. SJCOC is currently in the process of updating the RTP/SCS for 2022 (“Envision 2050”).

Findings and Recommendations

Based on the current review, we submit the aforementioned TDA compliance finding.

Moore & Associates, Inc. also identified one functional finding. While this finding is not a compliance finding, the auditors believe it is significant enough to be addressed within this review:

1. The San Joaquin Council of Governments does not appropriately calculate CPI for use in the two STA efficiency tests.

In completing this Triennial Performance Audit, the auditors submit the following recommendations for the San Joaquin Council of Governments as the RTPA. They have been divided into two categories: TDA Program Compliance Recommendations and Functional Recommendations. TDA Program Compliance Recommendations are intended to assist in bringing the agency into compliance with the requirements and standards of the TDA, while Functional Recommendations address issues identified during the Triennial Performance Audit that are not specific to TDA compliance.

Exhibit 1.1 Summary of Audit Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Upon completion of the triennial performance audit process, SJCOC must prepare a transmittal letter to Caltrans which certifies the completion of the operator audits and accompanies submittal of the RTPA audit.	High	FY 2021/22
Functional Recommendations		Importance	Timeline
1	Use data obtained through the Bureau of Labor Statistics or another appropriate source to determine change in CPI for each test.	Medium	FY 2021/22
2	Work with Article 8(c) operators to develop appropriate alternative performance measures for the years following the COVID-19 pandemic.	Medium	FY 2021/22

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Chapter 2 | Audit Scope and Methodology

The Triennial Performance Audit (TPA) of the San Joaquin Council of Governments (SJCOC) covers the three-year period ending June 30, 2021. The California Public Utilities Code requires all Regional Transportation Planning Agencies conduct an independent Triennial Performance Audit in order to be eligible for State of California Transportation Development Act (TDA) funding.

In 2021, the San Joaquin Council of Governments selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the seven public transit operators to which it allocates TDA funding. Moore & Associates, Inc. is a consulting firm specializing in public transportation. Selection of Moore & Associates, Inc. followed a competitive procurement process.

The Triennial Performance Audit is designed to be an independent and objective evaluation of SJCOC as the designated RTPA for San Joaquin county. Direct benefits of a triennial performance audit include providing RTPA management with information on the economy, efficiency, and effectiveness of their programs across the prior three years; helpful insight for use in future planning; and assuring legislative and governing bodies (as well as the public) that resources are being economically and efficiently utilized. Finally, the Triennial Performance Audit fulfills the requirement of PUC 99246(a) that the RTPA designate an independent entity other than itself to conduct a performance audit of its activities as well as those of each operator to whom it allocates TDA funding.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that the audit team plans and performs the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. The auditors believe the evidence obtained provides a reasonable basis for its findings and conclusions.

The audit was also conducted in accordance with the processes established by the California Department of Transportation (Caltrans), as outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, as well as *Government Audit Standards* published by the U.S. Comptroller General.

Objectives

A Triennial Performance Audit has four primary objectives:

1. Assess compliance with TDA regulations,
2. Review actions taken by the RTPA to implement prior recommendations,
3. Evaluate the efficiency and effectiveness of the RTPA through a review of its functions, and
4. Provide sound, constructive recommendations for improving the efficiency and functionality of the RTPA.

Scope

The TPA is a systematic review of performance evaluating the efficiency, economy, and effectiveness of the regional transportation planning agency. The audit of SJCOG included five tasks:

1. Review of compliance with TDA requirements and regulations.
2. Assessment of the implementation status of recommendations included in the prior Triennial Performance Audit.
3. Analysis of SJCOG’s internal goal setting and strategic planning functions.
4. Examination of the following functions:
 - Administration and Management,
 - Transportation Planning and Regional Coordination,
 - Claimant Relationships and Oversight,
 - Marketing and Transportation Alternatives, and
 - Grant Applications and Management.
5. Recommendations to address opportunities for improvement based on analysis of the information collected and the review of the RTPA’s core functions.

Methodology

The methodology for the Triennial Performance Audit of SJCOG as the RTPA included thorough review of documents relevant to the scope of the review, as well as information contained on SJCOG’s website. The documents reviewed included the following (spanning the full three-year period):

- Triennial Performance Audit reports for the prior review period;
- Annual budgets;
- Audited financial statements;
- State Controller Reports;
- Agency organizational chart;
- Board meeting minutes and agendas;
- Policies and procedures manuals;
- Regional planning documents;
- Overall work plans;
- Article 8 “Unmet Transit Needs” documentation;
- TDA claims manual; and
- TDA and transit funding allocations to operators.

Given impacts of the ongoing COVID-19 pandemic, the methodology for this audit included a virtual site visit with San Joaquin COG representatives on August 25, 2021. The audit team met with Grace Orosco (Manager of Finance), Lynnetta Castle (Senior Accountant), and Rosie Zeiter (Accounting Assistant); and reviewed materials germane to the triennial audit.

The report is comprised of seven chapters divided into three sections:

1. Executive Summary: A summary of the key findings and recommendations developed during the Triennial Performance Audit process.
2. TPA Scope and Methodology: Methodology of the audit and pertinent background information.
3. TPA Results: In-depth discussion of findings surrounding each of the subsequent elements of the audit:
 - Compliance with statutory and regulatory requirements,
 - Progress in implementing prior recommendations,
 - Goal setting and strategic planning,
 - Functional review, and
 - Findings and recommendations.

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Chapter 3 | Program Compliance

This section examines the San Joaquin Council of Government’s compliance with the State of California’s Transportation Development Act as well as relevant sections of California’s Public Utilities Commission code. An annual certified fiscal audit confirms TDA funds were apportioned in conformance with applicable laws, rules, and regulations. Although independent verification of financial items is not a Triennial Performance Audit function, several specific compliance requirements concern issues relevant to the fiscal audit. The RTPA considers full use of funds under CCR Section 6754(a) to refer to operating funds but not capital funds. The Triennial Performance Audit findings and related comments are delineated in Exhibit 3.1.

Compliance was determined through discussions with San Joaquin COG staff as well as an inspection of relevant documents, including the fiscal audits for each year of the triennium. Also reviewed were planning documents, Board actions, and other related documentation.

With one exception, the San Joaquin Council of Governments adheres to Transportation Development Act (TDA) regulations in an efficient and effective manner:

1. The San Joaquin Council of Governments did not submit a letter to Caltrans certifying completion of its operator audits for the FY 2015 – FY 2018 audit cycle.

Developments Occurring During the Audit Period

The last half of the audit period is markedly different from the first half. The impacts of the COVID-19 pandemic resulted in significant declines in ridership and revenue. In many instances, transit operators strove to retain operations staff despite adopting a reduced schedule, resulting in significant changes to many cost-related performance metrics. While infusions of funding through the CARES Act mitigated some of the lost revenues for federally funded programs, most transit operators have yet to return to pre-pandemic ridership and fare levels. As a result, the Triennial Performance Audits will provide an assessment not only of how COVID-19 impacted each organization, but how they responded to the crisis.

In addition to the COVID-19 pandemic, recent and proposed changes to the TDA may result in audit reports that look somewhat different than in prior years. In the nearly 50 years since introduction of the Transportation Development Act, there have been many changes to public transportation in California. Many operators have faced significant challenges in meeting the farebox recovery ratio requirement, calling into question whether it remains the best measure for TDA compliance. In 2018, the chairs of California’s state legislative transportation committees requested the California Transit Association spearhead a policy task force to examine the TDA, which resulted in a draft framework for TDA reform released in early 2020. The draft framework maintains the farebox recovery ratio requirement, but eliminates financial penalties and allows more flexibility with respect to individual operator targets. These changes have yet to be implemented.

Assembly Bill 90, signed into law on June 29, 2020, provided temporary regulatory relief for transit operators required to conform with Transportation Development Act (TDA) farebox recovery ratio thresholds in FY 2019/20 and FY 2020/21. While the ability to maintain state mandates and performance

measures is important, AB 90 offered much-needed relief from these requirements for these years impacted by the COVID-19 pandemic while TDA reform continues to be discussed.

AB 90 included the following provisions specific to transit operator funding through the TDA:

1. It prohibited the imposition of the TDA revenue penalty on an operator that did not maintain the required ratio of fare revenues to operating cost during FY 2019/20 or FY 2020/21.
2. It required the Controller to calculate and publish the allocation of transit operator revenue-based funds made pursuant to the State Transit Assistance (STA) Program for FY 2020/21 and FY 2021/22 based on the same individual operator ratios published by the Controller in a specified transmittal memo, and authorized the Controller to revise that transmittal memo, as specified. It required the Controller to use specified data to calculate those individual operator ratios. Upon allocation of the transit operator revenue-based funds to local transportation agencies pursuant to this provision, the Controller would publish the amount of funding allocated to each operator.
3. It exempted an operator from having to meet either of the STA efficiency standards for FY 2020/21 and FY 2021/22 and authorized the operator to use those funds for operating or capital purposes during that period.
4. It required the Controller to allocate State of Good Repair (SOGR) program funding for FY 2020/21 and FY 2021/22 to recipient transit agencies pursuant to the individual operator ratios published in the above-described transmittal memo.
5. It required the Controller to allocate Low Carbon Transit Operations Program (LCTOP) funding for FY 2020/21 and FY 2021/22 to recipient transit agencies pursuant to the individual operator ratios published in the above-described transmittal memo.

Assembly Bill 149, signed into law on July 16, 2021, provided additional regulatory relief with respect to Transportation Development Act (TDA) compliance. It extended the provisions of AB 90 through FY 2022/23 as well as provided additional regulatory relief including:

1. Waiving the annual productivity improvement requirement of Section 99244 through FY 2022/23.
2. Adding a temporary provision exempting operators from farebox recovery ratio requirements provided they expend at least the same amount of local funds as in FY 2018/19.
3. Expanding the definition of “local funds” to enable the use of federal funding, such as the CARES Act or CRRSAA, to supplement fare revenues and allows operators to calculate free and reduced fares at their actual value.
4. Adjusting the definition of operating cost to exclude the cost of ADA paratransit services, demand-response and micro-transit services designed to extend access to service, ticketing/payment systems, security, some pension costs, and some planning costs.
5. Allowing operators to use STA funds as needed to keep transit service levels from being reduced or eliminated through FY 2022/23.

AB 149 also called for an examination of the triennial performance audit process, to ensure the practice continues to be effective and beneficial.

Exhibit 3.1 Transit Development Act Compliance Requirements

Compliance Element	Reference	Compliance	Comments
All transportation operators and city or county governments which have responsibility for serving a given area, in total, claim no more than those Local Transportation Fund monies apportioned to that area.	PUC 99231	In compliance	
The RTPA has adopted rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles (Article 3).	PUC 99233, 99234	In compliance	
The RTPA has established a social services transportation advisory council. The RTPA must ensure that there is a citizen participation process that includes at least an annual public hearing.	PUC 99238, 99238.5	In compliance	FY 2019 – 10 public hearings FY 2020 – 10 public hearings FY 2021 – 2 public hearings
The RTPA has annually identified, analyzed, and recommended potential productivity improvements which could lower operating cost of those operators, which operate at least 50 percent of their vehicle service miles within the RTPA's jurisdiction. Recommendations include, but are not being limited to, those made in the performance audit. <ul style="list-style-type: none"> A committee for the purpose of providing advice on productivity improvements may be formed. The operator has made a reasonable effort to implement improvements recommended by the RTPA as determined by the RTPA, or else the operator has not received an allocation that exceeds its prior year allocation. 	PUC 99244	In compliance	SJCOG staff review operator productivity improvements annually as part of the TDA claims process.
The RTPA has ensured that all claimants to whom it allocated TDA funds submit to it and to the state controller an annual certified fiscal and compliance audit within 180 days after the end of the fiscal year.	PUC 99245	In compliance	In three instances where audits were completed after the extension allowed under the TDA, operators requested additional extensions, which were approved. In a fourth instance, the audit was completed approximately one week following the extended deadline. However, that operator does not receive Article 4 funds. In all cases, no TDA funds were allocated until the audits were completed.
The RTPA has submitted to the state controller an annual certified fiscal audit within 12 months of the end of the fiscal year.	CCR 6662	In compliance	FY 2018/19: December 31, 2019 FY 2019/20: December 16, 2020 FY 2020/21: December 10, 2021
The RTPA has submitted within seven months after the end of the fiscal year an annual financial transactions report to the state controller.	CCR 6660	In compliance	FY 2018/19: December 31, 2019 FY 2019/20: December 16, 2020 FY 2020/21: <i>Pending</i>

Compliance Element	Reference	Compliance	Comments
The RTPA has designated an independent entity to conduct a performance audit of operators and itself (for the current and previous triennia). For operators, the audit was made and calculated the required performance indicators, and the audit report was transmitted to the entity that allocates the operator's TDA money, and to the RTPA within 12 months after the end of the triennium. If an operator's audit was not transmitted by the start of the second fiscal year following the last fiscal year of the triennium, TDA funds were not allocated to that operator for that or subsequent fiscal years until the audit was transmitted.	PUC 99246, 99248	In compliance	In 2018, SJCOG selected Moore & Associates to prepare the Triennial Performance Audits for FY 2016 – FY 2018. These audits were completed in April 2019. Moore & Associates was selected again in 2021 to prepare Triennial Performance Audits for FY 2019 – FY 2021.
The RTPA has submitted a copy of its performance audit to the Director of the California Department of Transportation. In addition, the RTPA has certified in writing to the Director that the performance audits of operators located in the area under its jurisdiction have been completed.	PUC 99246(c)	Finding	SJCOG could not demonstrate that it had certified in writing the completion of operator audits or submitted a copy of the RTPA audit.
For Article 8(c) claimants, the RTPA may adopt performance criteria, local match requirements, or fare recovery ratios. In such cases, the rules and regulations of the RTPA will apply.	PUC 99405	In compliance	Alternate performance criteria are developed every three years for Escalon, Lodi, Manteca, and Tracy.
The performance audit of the operator providing public transportation services shall include a verification of the operator's cost per passenger, operating cost per vehicle service hour, passenger per vehicle service mile, and vehicle service hours per employee, as defined in Section 99247. The performance audit shall include consideration of the needs and types of passengers being served and the employment of part-time drivers and the contracting with common carriers of persons operating under a franchise or license to provide services during peak hours, as defined in subdivision (a) of section 99260.2.	PUC 99246(d)	In compliance	
The RTPA has established rules and regulations regarding revenue ratios for transportation operators providing services in portions of an urbanized area and newly urbanized areas.	PUC 99270.1, 99270.2	Not applicable	
The RTPA has adopted criteria, rules, and regulations for the evaluation of claims filed under Article 4.5 of the TDA and the determination of the cost effectiveness of the proposed community transit services.	PUC 99275.5	Not applicable	
State transit assistance funds received by the RTPA are allocated only for transportation planning and mass transportation purposes.	PUC 99310.5, 99313.3, Proposition 116	In compliance	

Compliance Element	Reference	Compliance	Comments
Transit operators must meet one of two efficiency standards in order to use their full allocation of state transit assistance funds for operating purposes. If an operator does not meet either efficiency standard, the portion of the allocation that the operator may use for operations shall be the total allocation to the operator reduced by the lowest percentage by which the operator's total operating cost per revenue vehicle hour exceeded the target amount necessary to meet the applicable efficiency standard. The remaining portion of the operator's allocation shall be used only for capital purposes.	PUC 99314.6	In compliance	SJCOG conducts both efficiency tests as part of the annual TDA claims process. Operators that do not meet either efficiency test may not claim the full STA amount for operating purposes.
The amount received pursuant to the Public Utilities Code, Section 99314.3, by each RTPA for state transit assistance is allocated to the operators in the area of its jurisdiction as allocated by the State Controller's Office.	PUC 99314.3	In compliance	
<p>If TDA funds are allocated to purposes not directly related to public or specialized transportation services, or facilities for exclusive use of pedestrians and bicycles, the transit planning agency has annually:</p> <ul style="list-style-type: none"> • Consulted with the Social Services Transportation Advisory Council (SSTAC) established pursuant to PUC Section 99238; • Identified transit needs, including: <ul style="list-style-type: none"> ▪ Groups that are transit-dependent or transit-disadvantaged; ▪ Adequacy of existing transit services to meet the needs of groups identified; and ▪ Analysis of potential alternatives to provide transportation alternatives; • Adopted or reaffirmed definitions of "unmet transit needs" and "reasonable to meet"; • Identified the unmet transit needs and those needs that are reasonable to meet; and • Adopted a finding that there are no unmet transit needs, that there are no unmet transit needs that are reasonable to meet, or that there are unmet transit needs including needs that are reasonable to meet. <p>If a finding is adopted that there are unmet transit needs, these needs must have been funded before an allocation was made for streets and roads.</p>	PUC 99401.5	In compliance	<p>Unmet transit needs public hearings were held throughout San Joaquin County on the following dates:</p> <p>October 9 & 16, 2018 November 7 & 19-20, 2018 December 3, 2018 October 8 & 14-15, 2019 November 6, 18-19 & 22, 2019 December 5, 2019 December 3, 2020 January 4, 2021</p>

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Chapter 4 | Prior Recommendations

This section reviews and evaluates the implementation of prior Triennial Performance Audit recommendations. This objective assessment provides assurance the San Joaquin Council of Governments has made quantifiable progress toward improving both the efficiency and effectiveness of its programs.

The prior audit – completed in April 2019 by Moore & Associates, Inc. for the three fiscal years ending June 30, 2018 – included seven recommendations:

1. [Work with the fiscal and compliance auditor to ensure audits can be completed within the time stipulated by the TDA.](#)

Discussion: The City of Tracy’s fiscal audits for both FY 2015/16 and FY 2016/17 were both completed in June of the year following the end of the fiscal year, which made both audits more than 90 days late. In FY 2017/18, all audits were completed within the allowable 90-day extension.

The auditor recommended SJCOG include deadlines in the auditor contract that will be sufficient to ensure submittal of the triennial performance audits within 180 days following the end of the fiscal year or, if needed, within 180 days plus the additional 90-day extension. If audits are not submitted on time, TDA allocations must be withheld until the audits have been submitted.

Progress: During the audit period, there were four instances of audits being completed outside the time stipulated by the TDA. In three of these cases (City of Manteca in FY 2018/19 and FY 2019/20, and Regional Rail Commission in FY 2019/20), additional extensions were requested and granted. SJCOG appropriately withheld allocations until the audits were submitted. In Manteca’s case, the City has not filed claims for any year since FY 2018/19 given no audits have been completed. The fourth example was City of Lodi, which completed its audit eight days after the March 31 deadline. However, Lodi does not receive funds under Article 4, so is not strictly required to submit an audit by this deadline. Overall, timely completion of audit reports improved during the audit period.

Status: Implemented.

2. [Work with the auditor to ensure on-time completion of the triennial performance audit.](#)

Discussion: All of the prior triennial performance audits at the time were completed in March 2017, which was more than eight months past the original deadline of June 30, 2016. Even though SJCOG received extensions to this deadline (through February 28, 2017), the audits were still not completed on time.

The auditor recommended to include deadlines in the auditor contract that are sufficient to ensure submittal of the triennial performance audits before June 30. Ensuring on-time submittal

of the triennial performance audits will also ensure TDA funds can be allocated to claimants without any delays. The FY 2016 – FY 2018 triennial performance audits were on track to be completed well ahead of June 30, 2019.

Progress: Audits were completed on time during the prior audit cycle. No further action was needed.

Status: Implemented.

3. When the triennial performance audits are submitted more than one year following the end of the triennium, SJCOG should withhold TDA allocations until the audits are completed.

Discussion: All of the prior triennial performance audits were completed in March 2017, which is more than eight months past the original deadline of June 30, 2016. Even though SJCOG received extensions to this deadline (through February 28, 2017), the audits were still not completed on time. However, SJCOG continued to allocate TDA funds between the end of FY 2015/16 and the completion of the audits in FY 2016/17.

The auditor recommended SJCOG staff become more familiar with the consequences associated with late audit submittal. Even though no funding was ultimately lost, the delay in funding is intended to ensure the operator is performing appropriately before subsequent funding is allocated. The most straightforward remedy is to ensure audits are completed on time.

Given the TDA does not indicate whether receipt of a deadline extension affects how TDA funds should be allocated, the auditor elected to include this as a compliance finding. Should a deadline extension be required in the future, SJCOG should discuss with Caltrans how the extension affects the allocation of TDA funds.

Progress: SJCOG did not allocate TDA funds until the Triennial Performance Audits were completed.

Status: Implemented.

4. Upon completion of the triennial performance audit process, SJCOG must prepare a transmittal letter to Caltrans which certifies the completion of the operator audits and accompanies submittal of the RTPA audit.

Discussion: SJCOG staff were unable to provide any letter that had been submitted to Caltrans upon completion of the RTPA audit. Staff followed up with Caltrans to determine if the RTPA audit had been submitted. Caltrans responded that it did not have a transmittal letter but did have a copy of the prior San Joaquin COG triennial performance audit. So, while SJCOG audit was received by Caltrans, there was no evidence the RTPA certified the triennial performance audits of its operators.

Per CCR 6664.6, certification of the operator audits must be in writing. The auditor noted the convenience to include all of these elements (transmittal letter with operator certification and

submittal of the RTPA audit) in a single submittal. The submittal could be electronic if desired, which would also be easy to document. The auditor suggested proof of the submittal be retained for the compliance review during the next triennial performance audit. A letter template was provided as Exhibit 7.2 as well as separately in an editable format.

Progress: No letter was submitted to Caltrans. As a result, this recommendation will be carried forward in the current audit.

Status: Not implemented.

5. Incorporate Caltrans' "Regional Transportation Plan Checklist for MPOs" into the RTP/SCS document.

Discussion: While SJCOG's 2018 RTP/SCS was certified (via resolution) as being in compliance with the 2017 guidelines, compliance was not easy to independently assess. In conjunction with the 2018 RTP Guidelines, Caltrans also developed RTP Guidelines Checklists for MPOs and RTPAs. SJCOG did not include the checklist for MPOs in its most recent RTP/SCS update.

The auditor recommended SJCOG complete the RTP Checklist to clearly communicate compliance with RTP/SCS requirements to reviewers, and to easily identify locations of compliance elements. The 2018 version of this document was provided to SJCOG in conjunction with the prior audit and could be downloaded from the Caltrans website at www.dot.ca.gov/hq/tpp/offices/orip/rtp/.

Progress: This applies to the 2022 update which is currently underway.

Status: Implementation in progress.

6. Incorporate a form that assesses the implementation status of productivity and/or TDA triennial performance audit recommendations as part of the TDA claims process.

Discussion: At the time of the prior audit, SJCOG assessed productivity as part of the annual TDA claim process. In addition, several operators had key performance metric goals in lieu of farebox recovery ratios. The goals were reassessed every three years, and compliance was reviewed during the annual TDA claim process. However, SJCOG did not assess the implementation status of performance audit or other recommendations on a regular basis.

The auditor recommended SJCOG include an additional page to the TDA claim for operators to indicate the implementation status of recommendations from the triennial performance audit as well as other reviews (such as the FTA Triennial Review), if desired. An editable version was provided to SJCOG in conjunction with the prior audit.

Progress: While a statement regarding the implementation of productivity improvements is included in the Assurances portion of the TDA claim, there is no separate form detailing progress toward implementing such recommendations. However, San Joaquin COG staff do follow up with each operator regarding productivity improvements and affirmation that the operator is making

appropriate progress is included on the staff report when TDA claims for the individual operators are submitted to the Board for approval.

Status: Implemented.

7. Consider adding a 0.5 FTE position for the Finance department.

Discussion: At the time of the prior audit, Finance staff expressed its need to work overtime consistently in order to meet the requirements of their responsibilities. That indicated the workload exceeded the ability of regular staff hours to accommodate it.

Given other departments within SJCOG had half-time interns, the auditor felt it would be appropriate to recommend the addition of a half-time position specific to the Finance department. This position would be able to provide administrative/clerical support so as to free up higher-level staff for more specialized tasks.

Progress: An additional staff member was added and SJCOG plans to have this employee assist with the TDA audit program in the future.

Status: Implemented.

Chapter 5 | Goal Setting and Strategic Planning

This chapter analyzes the San Joaquin Council of Governments’ goal setting and strategic planning process. SJCOC provides a broad range of regional planning for San Joaquin County as the RTPA and MPO, as well as the Airport Land-Use Commission, Census Data Center, Congestion Management Agency, and Local Transportation Authority. Planning activities and regional services arising from these roles include:

- Airport Land-Use Compatibility Plan for the Environs of Stockton Metropolitan Airport;
- Countywide Airport Land-Use Compatibility Plan;
- Regional Bicycle, Pedestrian, and Safe Routes to School Master Plan;
- Regional Transit Systems Plan;
- Unmet Transit Needs Assessment;
- Regional Congestion Management Program;
- San Joaquin Multi-Species Habitat Conservation and Open Space Plan;
- Dibs alternative transportation program (with partners Stanislaus Council of Governments and Merced County Association of Governments);
- Measure K Ordinance and Expenditure Plan;
- Measure K Strategic Plan; and
- Regional Housing Needs Plan.

The primary regional planning document is the Regional Transportation Plan and Sustainable Communities Strategy (RTP/SCS). The RTP is a long-range transportation plan providing a vision for regional transportation investments. The Sustainable Communities Strategy (SCS) element, required under SB 375, demonstrates the integration of land use, transportation strategies, and transportation investments that will help San Joaquin county meet regional greenhouse gas reduction targets.

The current Plan, which was adopted on June 28, 2018, was built on the “ambitious and achievable” 2014 Plan with updated planning assumptions. The 2018 Plan considers the role of transportation including economic factors, quality of life issues, and environmental factors. The Sustainable Communities Strategy (SCS) element demonstrates the integration of land use, transportation strategies, and transportation investments that will help San Joaquin county meet regional greenhouse gas reduction targets. SJCOC is currently in the process of updating the RTP/SCS for 2022 (“Envision 2050”).

The 2018 RTP includes the following eight regional goals, each of which is supported by implementation strategies and performance measures. These are identified in Exhibit 5.1.

In addition to the regional goals, the 2018 RTP includes an evaluation of regional mobility needs; a list of specific transportation policies, supportive strategies, and performance indicators; and a financial plan balancing multimodal development with available funding through 2042.

Exhibit 5.1 2018 RTP/SCS Policies, Supportive Strategies, and Performance Measures

Policy	Supportive Strategies	Performance Measures
Enhance the environment for existing and future generations and conserve energy	Encourage efficient development patterns that maintain agricultural viability and natural resources	<ul style="list-style-type: none"> • Prime farmland developed (acres) • Energy and water consumption • Per capita emissions (reduced greenhouse gases) • VMT reduction
	Enhance the connection between land use and transportation choices through project supporting energy and water efficiency	
	Improve air quality by reducing transportation-related emissions	
Maximize mobility and accessibility	Improve regional transportation system efficiency	<ul style="list-style-type: none"> • Improvements to mobility (reduced delays due to congestion) • Increased investment in transit • BRT routes
	Optimize public transportation system to provide efficient and convenient access for users at all income levels	
	Facilitate transit-oriented development to maximize existing transit investments	
	Provide transportation improvements to facilitate non-motorized travel, including incorporation of Complete Streets elements as appropriate	
	Improve major transportation corridors to minimize impacts on rural roads	
Increase safety and security	Facilitate projects that reduce the number and severity of traffic incidents	<ul style="list-style-type: none"> • Transportation system management improvements • Grade separation projects • Intelligent Transportation Systems
	Encourage and support projects that increase safety and security	
	Improve communication and coordination between agencies and the public for emergency preparedness and support local and state efforts for transportation network resiliency, reliability, and climate adaptation	
Preserve the efficiency of the existing transportation system	Optimize existing transportation system capacity through available and/or innovative strategies	<ul style="list-style-type: none"> • Acres of land consumed • High-quality transit areas/TOD • Investments on mainline highway system • Preventive maintenance • Maintenance and operation improvements for existing transportation system
	Support the continued maintenance and preservation of the existing transportation system	
	Encourage system efficiency with transportation improvements that facilitate improvement in the jobs/housing balance	
	Improve transportation options linking residents to employment centers within and out of the county	

Policy	Supportive Strategies	Performance Measures
Support economic vitality	Improve freight access to key strategic economic centers.	<ul style="list-style-type: none"> • Creation of jobs • Supporting goods movement and economic centers
	Promote safe and efficient strategies to improve the movement of goods by water, rail, and truck	
	Support transportation improvements that improve economic competitiveness, revitalize commercial corridors and strategic economic centers, and enhance travel and tourism opportunities	
Promote interagency coordination and public participation for transportation decision-making and planning efforts	Provide equitable access to transportation planning	
	Engage the public early, clearly, and continuously	
	Use a variety of methods to engage the public, encouraging representation from diverse income and ethnic backgrounds	
Maximize cost-effectiveness	Support the use of state and federal grants to supplement local funding and pursue discretionary grant funding opportunities from outside the region	
	Support projects that maximize cost-effectiveness	
	Maximize funding of existing transportation options	
Improve the quality of life for residents	Encourage transportation investments that support a greater mix of housing options at all income levels	<ul style="list-style-type: none"> • Residential density • Community enhancements and place-making • Active transportation investments • Trip mode share • Housing mix • Transit accessibility
	Improve the connection between land use and transportation	
	Enhance public health through active transportation projects	

SJCOG has already developed proposed policies and supportive strategies as part of its 2022 RTP/SCS update. Though still subject to change, the policies remain largely consistent while the supportive strategies have undergone some significant updates. The proposed strategies seek to incorporate climate issues and emerging technologies in a post-COVID-19 pandemic environment. These proposed policies and supportive strategies are detailed in Exhibit 5.2.

Exhibit 5.2 Proposed 2022 RTP/SCS Policies and Supportive Strategies

Policy	Supportive Strategies
Enhance the environment for existing and future generations and conserve energy	Encourage preservation of agricultural and natural resources
	Encourage infill development
	Encourage energy and water conservation through infrastructure investments
	Invest in solar energy generation projects
Maximize mobility and accessibility	Prioritize expanding the roadway network
	Improve access to safe and convenient walking and biking options
	Prioritize building a complete and connected pedestrian network
	Prioritize project that improve and expand access to public transit
	Prioritize “complete streets” projects throughout the region
Increase safety and security	Prioritize the goal of zero traffic fatalities
	Adapt the transportation system to a changing climate
	Integrate flood and fire risk considerations into planning
Preserve the efficiency of the existing transportation system	Prioritize projects that make more efficient use of the existing road network
	Promote autonomous technologies for freight and agriculture
	Manage the adoption of private connected and autonomous vehicles
	Promote autonomous technologies for public transit
Support economic vitality	Provide workforce training across industries
	Encourage and/or strengthen small business
	Prioritize large employer recruitment
	Invest in high speed internet infrastructure
	Support local jurisdictions impacted by COVID-19
Promote interagency coordination and public participation for transportation decision-making and planning efforts	Provide equitable access to transportation planning
	Engage the public early, clearly, and continuously
	Use a variety of methods to engage the public, encouraging representation from diverse income and ethnic backgrounds
Maximize cost-effectiveness	Streamline the development process
	Update parking requirements to encourage housing development
	Support the use of state and federal grants to supplement local funding and pursue discretionary grant funding opportunities from outside the region
	Support projects that maximize cost effectiveness
	Maximize funding of existing transportation options
Improve the quality of life for residents	Promote broader range of housing types
	Develop a regional trust fund dedicated to addressing housing issues
	Encourage development near transit
	Center equity in public investment decision making process

Each RTP update builds upon prior efforts but is reflective of current and future conditions. Prior efforts used in the development of the 2018 RTP/SCS included the following:

- San Joaquin Valley Blueprint;
- Regional Congestion Management Program;
- Measure K Expenditure Plan;
- Regional Transit System Plan;
- San Joaquin County Multi-Species Habitat Conservation and Open Space Plan;
- Regional Bicycle, Pedestrian, and Safe Routes to Schools Master Plan;
- Higher Density Housing Plan;
- Local Agency Climate Action Plans;
- Regional Smart-Growth Transit-Oriented Development Plan;

The RTP Update is supported by the adopted 2016 San Joaquin Council of Governments' Public Participation Plan. The following public engagement activities were undertaken as part of the 2018 update:

- Bilingual educational video (English/Spanish);
- Two public opinion surveys;
- Four door-to-door canvassing days;
- RTP/SCS Implementation and Working Group;
- Use of MetroQuest online platform;
- Two public hearings;
- Draft Plan open house and informational session;
- Presentations to city councils throughout the county;
- More than 40 outreach presentations;
- Solicitation of written comments; and
- Making the draft RTP/SCS available for review online, at SJCOG headquarters, and at local public libraries.

A similar slate of engagement activities is planned for the 2022 update. SJCOG's RTP/SCS Public Participation Plan was updated in March 2020 and is being used to support public engagement activities for the 2022 update. While this Plan was completed concurrent with the start of the COVID-19 pandemic, it calls for sufficient virtual/remote participation opportunities so as to be effective regardless of whether any restrictions on close contact or indoor gatherings are in effect during RTP/SCS development. SJCOG has already conducted a public workshop, webinar, and MetroQuest survey in support of the 2022 update. The public workshop and webinar were both recorded and are available online for remote access.

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Chapter 6 | Functional Review

A functional review of the San Joaquin Council of Governments determines the extent and efficiency of the following functional activities:

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

Administration and Management

SJCOG is governed by a Board of Directors comprised of one representative each from the cities of Escalon, Lathrop, Lodi, Manteca, Ripon, and Tracy; three representatives from the City of Stockton; and three representatives from the San Joaquin County Board of Supervisors. The Board also includes advisory representatives from Caltrans District 12, San Joaquin Regional Transit District, and the Port of Stockton. The Board meets on the fourth Thursday of each month (except for December) at 4:00 p.m., with Board workshops typically held prior to regular board meetings. All meetings are open to the public and streamed live via webcast. Regular meetings are held at SJCOG administrative offices, which are accessible by public transit via numerous San Joaquin RTD routes as well as accessible to individuals using mobility devices.

SJCOG Board has two subcommittees. The Executive Committee is made up of five Board members. It is primarily tasked with reviewing agenda items and presenting recommendations to the full board. The Project Delivery Committee guides policies and transportation programming recommendations, and monitors project delivery.

SJCOG also has several advisory committees that include representatives from throughout the county.

Citizens Advisory Committee (CAC). The CAC is comprised of 16 citizens from diverse backgrounds in the development of transportation plans and programs, including Measure K and regional transportation planning issues. The CAC meets monthly and all meetings are open to the public. Each of the seven cities is represented, as are special interest groups including the League of Women Voters, Sierra Club, National Association for the Advancement of Colored People, and University of the Pacific, and the business, trucking, and agriculture industries.

Habitat Technical Advisory Committee (HTAC). The HTAC is comprised of 15 stakeholders who make recommendations regarding issues specific to the San Joaquin Multi-Species Habitat Conservation and Open Space Plan (SJMSCP). The HTAC meets monthly and meetings are open to the public. Each of the seven cities is represented, as well as the United States Fish and Wildlife Service, California Department of Fish and Wildlife, San Joaquin County, Building Industries Association, Agricultural Commission, University of California Cooperative Extension, and members of the conservation and agricultural communities.

Interagency Transit Committee (ITC). The purpose of the ITC is to improve communication and coordination among transit agencies in San Joaquin county and to improve the customer experience for transit users. ITC is comprised of representatives from transit agencies and member jurisdictions. The ITC meets monthly and meetings are open to the public.

Management and Finance Advisory Committee (M&F). The M&F provides recommendations to SJCOG Board on administrative and financial decisions of SJCOG as the Local Transportation Authority. The committee is comprised of the chief administrative official of each SJCOG member agency. The M&F meets monthly and meetings are open to the public.

RTP/SCS Working Group. The Regional Transportation Plan and Sustainable Community Strategy (RTP/SCS) Working Group provides direction to SJCOG staff, committees, and policy board with respect to development and adoption of the RTP/SCS. The working group is comprised of interested individuals representing each of the seven cities as well as a broad range of groups throughout the county. The group meets monthly and meetings are open to the public.

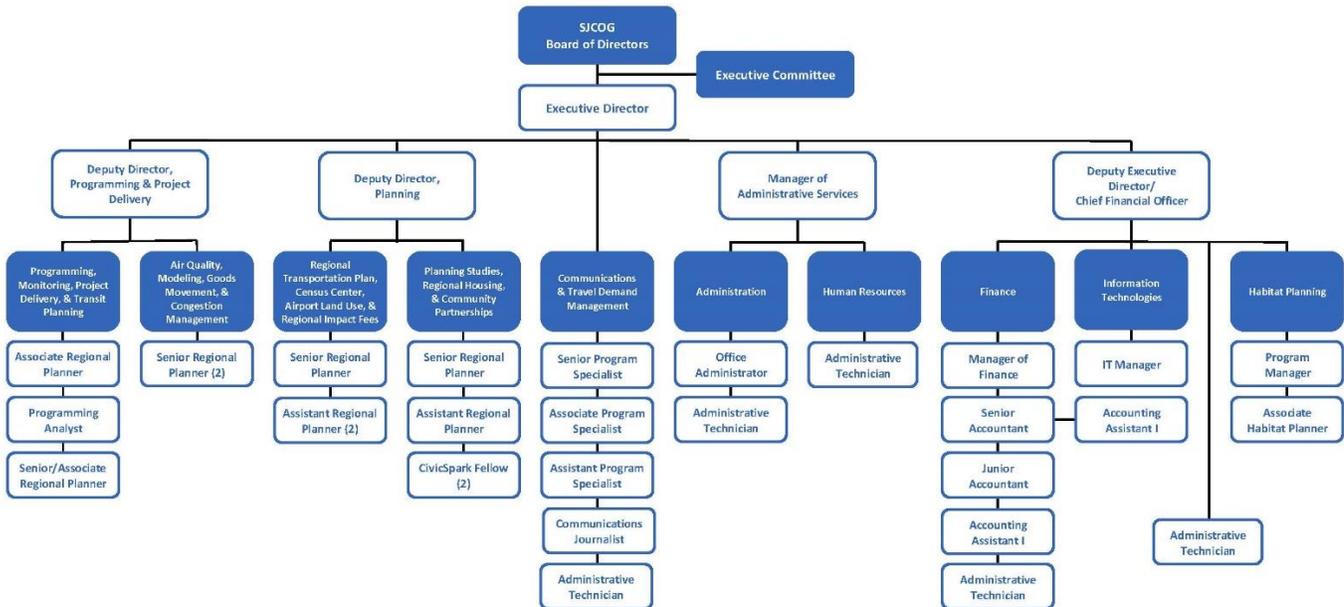
Social Services Transportation Advisory Council (SSTAC). The SSTAC advises SJCOG Board on transit-related issues for traditionally under-represented and underserved populations, including seniors, persons with disabilities, low-income individuals, and minority communities. It participates in the annual TDA Article 8 “Unmet Needs Process”. SSTAC members are appointed by SJCOG Board and include representatives who are transit users, disabled, seniors, and social services providers. The SSTAC meets jointly with the ITC and meetings are open to the public.

Technical Advisory Committee (TAC). The TAC is a working group that advises SJCOG Board on regional transportation planning and programming matters. The TAC is comprised of members from county Public Works departments, Caltrans District 10, San Joaquin Regional Transit District, San Joaquin Regional Rail Commission, San Joaquin Air Pollution Control District, Port of Stockton, and Stockton Metropolitan Airport. The TAC meets monthly and meetings are open to the public.

SJCOG also participates in two valley-wide committees: San Joaquin Valley Regional Planning Agencies Directors Committee and San Joaquin Valley Regional Policy Council.

Reporting directly to SJCOG board is the Executive Director. An organizational chart is presented as Exhibit 6.1.

Exhibit 6.1 Organizational Chart (FY 2022)



Members of SJCOG Board of Directors serving during the audit period include the following:

- Jesus Andrade, City of Stockton (2019-2020)
- Steve DeBrum, City of Manteca (2018)
- David Bellinger, City of Escalon (2021)
- Sonny Dhaliwal, City of Lathrop (2019-2021)
- Steve Dresser, City of Lathrop (2018)
- Bob Elliott, San Joaquin County (2018-2020)
- Christina Fugazi, City of Stockton (2021)
- Elbert Holman, City of Stockton (2018)
- Sol Jobrack, City of Stockton (2019-2021)
- Doug Kuehne, City of Lodi (2018-2021)
- Jeff Laugero, City of Escalon (2018)
- Susan Lofthus, City of Stockton (2018)
- Kathy Miller, San Joaquin County (2018-2020)
- Walt Murken, City of Escalon (2019-2020)
- Tom Patti, San Joaquin County (2021)
- Robert Rickman, City of Tracy (2018-2021)
- Gary Singh, City of Manteca (2019-2021)
- Michael Tubbs, City of Stockton (2018)
- Miguel Villapudua, San Joaquin County (2021)
- Chuck Winn, San Joaquin County (2018-2020)
- Dan Wright, City of Stockton (2019-2021)
- Nancy Young, City of Tracy (2021)
- Leo Zuber, City of Ripon (2018-2021)

Ex-officio members:

- Dennis Agar, Caltrans (2021)
- Anthony Barkett, Port of Stockton (2020-2021)
- Ken Baxter, Caltrans (2018-2019)
- Gary Giovanetti, SJRTD (2018-2021)
- Dan McElhinney, Caltrans (2020)
- Victor Mow, Port of Stockton (2018-2019)

SJCOG provides an appropriate level of administration for regional transportation planning activities. TDA claims are generally processed within a week for preliminary approval. The claimant will then take the claim to its Board for approval during the month the RTPA gives its preliminary approval. Once approved by the claimant's Board, SJCOG will take the claim to its Board during that or the following month. SJCOG follows TDA guidelines provided by Caltrans.

The RTP is updated every four years by state statute. The last RTP was adopted in June 2018. The 2022 update is currently underway.

Quarterly progress reports on the financial expenditures of ongoing programs and special projects are reviewed regularly by management. A narrative of accomplishments is also compiled each quarter by San Joaquin COG staff. SJCOG holds monthly meetings with its standing committees. This provides an opportunity for jurisdictions to voice any dissatisfaction. Claimants are generally satisfied with SJCOG's efficiency and effectiveness.

SJCOG has established clear, comprehensive, and realistic goals and objectives for internal functions, regional coordination, grant applications, operator performance, and transportation alternatives through its annual Overall Work Plan (OWP) and Regional Transportation Plan. The OWP describes in detail milestones, deliverables, and schedules to be accomplished during the fiscal year. SJCOG has made progress toward achievement of its goals.

San Joaquin COG's employees are generally sufficient in number and qualification for the RTPA to accomplish its functions. Turnover of SJCOG staff is typically modest. In January 2021, SJCOG's long-time Executive Director retired, and the agency's Deputy Director for Planning and Programming was selected to succeed him. SJCOG also hired an additional staff member in the Finance department to support existing staff.

Each San Joaquin COG staffer meets with his/her supervisor at the beginning of the year to identify individual performance goals and staff activities for that year. Staff are encouraged to participate in webinars, online courses, and seminars related to individual positions and responsibilities. SJCOG offers a comprehensive benefit package and has several employee incentive programs, including a rideshare/commute program, computer loan programs, retirement savings programs, and educational reimbursement.

Most of San Joaquin COG's senior staff attend the monthly Board meetings. Planning and other staff attend based on items being presented to the Board during a particular month. All staff, including senior management, receive an annual performance review and evaluation.

Impact of COVID-19 pandemic

For the most part work has been moved remotely, with most employees being in-office one to two days per week as of August 2021. Some member agencies operated on an alternative schedule as well. There was an initial increase in expenses to provide computers and other necessary items for staff who didn't have them at home. SJCOG began its return to the office gradually, starting with two days per week. Staff anticipated it would probably never go back to spending five days per week in the office. In addition, all meetings were conducted virtually.

Claimant Relationships and Oversight

SJCOG does not currently have a productivity committee. However, it conducts regular monitoring of transit operator performance through the claims process and meetings of the Interagency Transit Committee (ITC). In general, operator efforts to implement suggestions and recommendations are reasonable and effective.

SJCOG makes technical and managerial assistance available to operators, and is in regular communication with claimants. During the claims process, SJCOG is available to help via phone and email. SJCOG conducts a TAC meeting where most operators participate.

The RTPA communicates TDA guidance to operators, including the TDA handbook and claim forms. SJCOG, as part of its fiscal audit contract, arranges for annual fiscal audits of TDA and Measure K funds. SJCOG is also responsible for contracting for triennial performance audits of itself and San Joaquin County operators.

The RTPA received an audited annual financial report from most operators within its jurisdiction within 180 days after the end of the fiscal year. There have been several instances where audits were delayed, sometimes significantly. However, SJCOG secured additional extensions from the State Controller's Office and appropriately withheld TDA allocations from those operators until the audits were completed.

Transportation Planning and Regional Coordination

Every four years, SJCOG updates its Regional Transportation Plan (RTP), which provides overall guidance for transportation policy and planning in San Joaquin county. The last RTP was adopted June 2018. The 2022 update of the RTP/SCS (Envision 2050) began with demographic forecasts and scenario planning in 2020, and is expected to be adopted by June 2022. SJCOG also updated its Public Participation Plan for the 2022 RTP/SCS effort in 2020. Additional details regarding the 2022 update are provided in Chapter 6 of this report.

The 2018 RTP outlines a multimodal transportation system of projects, their costs, and their timelines. It constrains those projects against a forecast of anticipated revenue. Any project which cannot be financially constrained is identified in the RTP as a Tier 2 project, which is unfunded.

The RTP describes challenges in the region in the areas of congestion, air quality, and provision of alternative transportation modes. The RTP identifies projects to address those challenges and offers

analytics on how those challenges are affected by various transportation investments. This draws on a decision-making process during the public outreach period to evaluate various transportation investment packages and focus on a preferred RTP alternative. A financial element identifies all available state, local, and federal revenue sources. The RTP also includes a Sustainable Communities Strategy, which details the impacts on the regional transportation system through its performance metrics and related analysis.

Modeling is an essential part of developing the RTP investment strategy by understanding how the system of projects performs against various measures. SJCOG uses Envision Tomorrow, a transportation modeling tool, for projecting transportation needs across the next 20 years. The performance metrics are identified and evaluated extensively in the RTP. SJCOG keeps its travel model and Congestion Management Program network up to date through calibration efforts and traffic counts. The RTPA also ensures coding of transportation systems (e.g., number of lanes) is reflective of recently completed improvements. SJCOG employs an in-house modeler, and supplements with consultants as needed.

Marketing and Transportation Alternatives

SJCOG does not provide marketing on behalf of any of the transit operators. It does advertise and promote the Dibs smart travel commute program, which offers information about alternative transportation options, trip planning, and incentive programs

Grant Applications and Management

SJCOG may review and coordinate grant applications by operators, but the level of intensity varies from grant to grant. SJCOG does not generally ensure consistency or prioritize grants between operators unless that role is identified as an RTPA role for a specific grant. The RTPA prefers to allow all grants by operators to stand on an even playing field and allow the grant selection process of the grantor to determine the priorities.

Chapter 7 | Findings and Recommendations

Conclusions

With one exception, Moore & Associates, Inc. finds the San Joaquin Council of Governments, functioning as the RTPA, to be in compliance with the requirements of the Transportation Development Act. In addition, the entity generally functions in an efficient, effective, and economical manner. The compliance finding and the recommendation for its resolution, as well as modest recommendations intended to improve the effectiveness of the organization as the RTPA, are detailed below.

Findings and Recommendations

Based on the current review, we submit the following TDA compliance finding:

1. The San Joaquin Council of Governments did not submit a letter to Caltrans certifying completion of its operator audits for the FY 2015 – FY 2018 audit cycle.

The audit team has identified one functional finding. While this finding is not a compliance finding, the auditors believe it is significant enough to be addressed within this review:

1. The San Joaquin Council of Governments does not appropriately calculate CPI for use in the two STA efficiency tests.

In completing this Triennial Performance Audit, the auditors submit the following recommendations for SJCOC's program. They are divided into two categories: TDA Program Compliance Recommendations and Functional Recommendations. TDA Program Compliance Recommendations are intended to assist in bringing the operator into compliance with the requirements and standards of the TDA, while Functional Recommendations address issues identified during the audit that are not specific to TDA compliance. Each finding is presented with the elements identified within the 2011 *Government Auditing Standards* as well as one or more recommendations.

Compliance Finding 1: The San Joaquin Council of Governments did not submit a letter to Caltrans certifying completion of its operator audits for the FY 2015 – FY 2018 audit cycle.

Criteria: CCR 6664.6 requires the RTPA to certify in writing to Caltrans that a triennial performance audit of its operators has been completed. This certification must include the name of the audited operator, the time and period covered by the performance audit, and the name of the auditor conducting the audit.

Condition: SJCOC staff were unable to provide any letter that had been submitted to Caltrans upon completion of the RTPA audit.

Cause: The cause of this omission is unknown.

Effect: Failure to certify the operator performance audits can cause the RTPA to be out of compliance with the TDA.

Recommendation: Upon completion of the triennial performance audit process, SJCOG must prepare a transmittal letter to Caltrans which certifies the completion of the operator audits and accompanies submittal of the RTPA audit.

Recommended Action: Per CCR 6664.6, certification of the operator audits must be in writing. It is most convenient to include all of these elements (transmittal letter with operator certification and submittal of the RTPA audit) in a single submittal. The submittal can be electronic if desired, which is also easy to document. Proof of this submittal should be retained for the compliance review during the next triennial performance audit. A letter template is provided as Exhibit 7.2 as well as separately in an editable format.

Timeline: FY 2021/22.

Anticipated Cost: None.

Functional Finding 1: The San Joaquin Council of Governments does not appropriately calculate CPI for use in the two STA efficiency tests.

Criteria: The efficiency tests used to determine an operator's eligibility to use STA funds for operating purposes compares the current operating cost per vehicle service hour to the prior operating cost per vehicle service hour adjusted for according to the Consumer Price Index (CPI). There are two tests used. The first compares the most recent year for which audited information is available to the prior year (adjust by one year's change in CPI). The second compares the average of the most recent three-year period to the three-year period immediately prior. This requires a separate CPI calculation, as it is not measuring the change over just one year, but using an average of three years.

Condition: In the TDA claims template for FY 2020/21, 2.90 was used as the change in CPI. This appears to be incorrect. Using Bureau of Labor Statistics (BLS) data for the Western Region of the United States, we calculated the one-year change as 2.32 percent and the three-year change (using averages for each three-year period) as 2.81 percent. While SJCOG does appear to adjust the CPI for each individual year's claims, it uses the same figure for both tests.

Cause: Lack of knowledge of how to calculate CPI for these tests is the most likely cause.

Effect: This can result in operators being considered eligible when they are not, or alternately, considered not eligible when they actually are.

Recommendation: Use data obtained through the Bureau of Labor Statistics or another appropriate source to determine change in CPI for each test.

Recommended Action: Use CPI data from the Bureau of Labor Statistics (BLS) (or another reliable and appropriate source) to determine the change in CPI for the one-year period, as well as to calculate CPI averages for change over the three-year period. Focusing on Western Region data, the BLS website (https://data.bls.gov/timeseries/CUUR0400SA0?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true) provides historic CPI data broken down by half-years (which can be used to calculate average CPI for the full fiscal year).

To calculate change in CPI over one year (Efficiency Test #1), use the following calculation:

	Half 2	Half 1	Average
CPI FY 2020	272.272	273.646	272.959
CPI FY 2019	265.089	268.428	266.759
Change in CPI			6.20
Percent change			2.32%

To compare the increase in VSH, compare VSH2020 to VSH2019 adjusted for CPI (100 percent of VSH2019 plus 2.32 percent of VSH2019, or a multiplication factor of 1.0232 [VSH2019 * 1.0232]). If VSH2019 is \$45.50, for example, then you would compare VSH2020 to \$46.56 ($\$45.50 * 1.0232 = \46.56).

To calculate change in CPI over three years (Efficiency Test #2), calculate the average CPI for each three-year period, then calculate the change between them.

	Half 2	Half 1	Average
CPI FY 2020	272.272	273.646	272.959
CPI FY 2019	265.089	268.428	266.759
CPI FY 2018	256.365	261.438	258.902
Average			266.206
	Half 2	Half 1	Average
CPI FY 2019	265.089	268.428	266.759
CPI FY 2018	256.365	261.438	258.902
CIP FY 2017	249.161	253.112	251.137
Average			258.932
Change in CPI			7.27
Percent change			2.81%

To compare the increase in VSH, compare the average VSH2018-2020 to [average VSH2017-2019 * 1.0281]. If VSH2017-2019 is \$45.50, for example, then you would compare VSH2018-2020 to \$46.78.

In FY 2020/21, the use of 2.90 percent as the CPI for both tests was incorrect. Instead, the claims template should have reflected 2.32 percent for the first test and 2.81 percent for the second. In this example, the differences in the two figures are not that great. However, if there were greater changes across the three-year periods, this might not be the case.

Timeline: FY 2021/22.

Anticipated Cost: None.

Additional Recommendation

An additional recommendation is included not as the result of a finding, but as guidance for continued compliance in the wake of the COVID-19 pandemic. This recommendation addresses two components: 1) the alternative performance indicators developed for Article 8(c) recipients, and 2) the relief measures set forth in AB 149.

SJCOG sets alternative performance measures for the cities of Escalon, Lodi, Manteca, and Tracy at the beginning of every triennial period. These are typically based on each operator's performance during the last year of the prior triennial period. Doing so generally ensures that these measures are achievable. However, given the COVID-19 pandemic, it is difficult to use the most recent three-year period as a benchmark. Nor should FY 2018/19 be used as a benchmark, given how conditions have changed since the last "normal" year. As a result, it is imperative SJCOG works with the individual operators to develop appropriate performance measures for the next three years. SJCOG may wish to consider using one or more measures not related to ridership, at least in the interim, since that was the metric hit hardest by the pandemic.

AB 149 provides relief from penalties for not meeting farebox recovery ratio (or alternative performance measure) thresholds through FY 2022/23. This allows for two of the next three years (current year included) to serve as recovery years before an operator faces potential financial penalties again. These years should be viewed as an opportunity to work toward compliance, with the goal of being able to effectively meet at least two of the three defined performance measures by FY 2023/24.

However, there is an additional alternative that could provide an additional "recovery" year. If an operator expends an amount from local funding that is equal to or greater than the amount of local funding it spent in FY 2018/19, then the farebox recovery ratio requirement (or alternative performance measures) does not apply. This will be in effect through FY 2024/25, which extends some relief for an additional two years.

Recommendation: Work with Article 8(c) operators to develop appropriate alternative performance measures for the years following the COVID-19 pandemic.

Recommended Action: Work with the operators to determine the best approach for measuring productivity and compliance across the next triennial period. Operators should use these years for which relief measures are in place to develop, along with SJCOG, a plan for being able to meet established metrics once those relief measures expire. This does not constitute simply giving operators a "pass," but using this time during which they will not be held accountable for productivity improvements to evaluate goals and, if desired, determine new performance measures.

Timeline: FY 2021/22.

Anticipated Cost: None.

Exhibit 7.1 Audit Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Upon completion of the triennial performance audit process, SJCOG must prepare a transmittal letter to Caltrans which certifies the completion of the operator audits and accompanies submittal of the RTPA audit.	High	FY 2021/22
Functional Recommendations		Importance	Timeline
1	Use data obtained through the Bureau of Labor Statistics or another appropriate source to determine change in CPI for each test.	Medium	FY 2021/22
2	Work with Article 8(c) operators to develop appropriate alternative performance measures for the years following the COVID-19 pandemic.	Medium	FY 2021/22

Exhibit 7.2 Sample Caltrans certification letter

June 30, 2022

Mr. Joshua Pulverman
Senior Specialist
Department of Transportation
Division of Mass Transportation, MS #39
P.O. Box 942874
Sacramento, CA 94274-0001

Re: Submission of TDA Triennial Performance Audits for FY 2018/19 through FY 2020/21 within the jurisdiction of the San Joaquin Council of Governments.

Dear Mr. Pulverman:

Pursuant to California Public Utilities Code Section 99246, Moore & Associates, Inc. was designated to conduct Triennial Performance Audits of the San Joaquin Council of Governments (SJCOG) (as RTPA) and all recipients of TDA funding within SJCOG's jurisdiction.

Per California Code of Regulations Section 6663(b), the purpose of this letter is to submit the Triennial Performance Audit of SJCOG (as the RTPA) and certify that performance audits of the operators under its jurisdiction due this fiscal year have been completed. Those performance audits include the following operators:

- City of Escalon,
- City of Lodi,
- City of Manteca,
- City of Ripon,
- City of Tracy,
- San Joaquin Regional Rail Commission, and
- San Joaquin Regional Transit District.

Per CCR 6663(b)(2), all reports are available to the public pursuant to the California Public Records Act. Should you have any questions, please do not hesitate to contact me at (209) 235-0454 or orosco@sjcog.org.

Sincerely,

Gracie Orosco
Manager of Finance

Enclosure: Triennial Performance Audit, San Joaquin Council of Governments as the RTPA.