



FINAL REPORT
OCTOBER 2022

Mendocino Council of Governments

Triennial Performance Audit, FY 2018/19 - FY 2020/21



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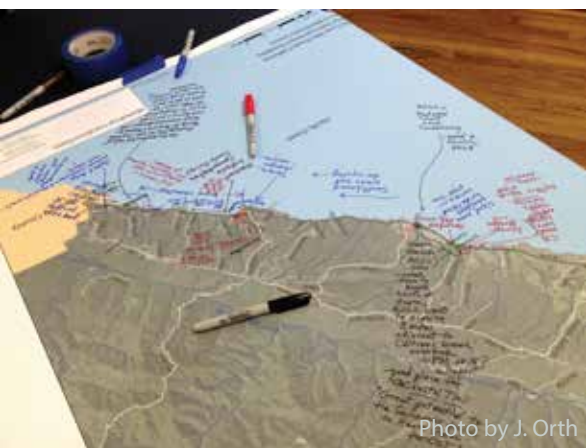


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Chapter 1 | Executive Summary

The Triennial Performance Audit of the Mendocino Council of Governments (MCOG) 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 Transportation Development Act (TDA) funding.

In 2021, the Mendocino Council of Governments selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the single transit operator to which it allocates TDA funding. Moore & Associates 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 the MCOG's programs for the period:

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

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objectives. We 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

No compliance issues were identified for MCOG.

Status of Prior Recommendations

The prior Triennial Performance Audit – completed in 2020 by Michael Baker International for the three fiscal years ending June 30, 2018 – included the following recommendations:

1. Consider an alternate funding formula for senior center TDA funds.
Status: Implemented.

2. Confirm alignment of MCOG personnel roles and responsibilities with RTPA functions.
Status: Implemented.

Goal Setting and Strategic Planning

The primary planning document is the Regional Transportation Plan (RTP). The RTP is a long-range (20-year) transportation plan providing a vision for regional transportation investments. The most recent update, which was completed in 2022, considers the role of transportation including economic factors, quality of life issues, and environmental factors. In addition to the RTP, MCOG also provides funding to Mendocino Transit Authority for preparation of a Short-Range Transit Plan for Mendocino County.

Findings and Recommendations

Based on the current review, we submit no TDA compliance findings.

We 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 fiscal audit of the Mendocino Transit Authority does not include details regarding the MTA’s operating and capital reserve funds.

In completing this Triennial Performance Audit, we submit the following recommendations for the MCOG 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

Functional Recommendation		Importance	Timeline
1	Include the current balance of any reserve account as part of MTA’s annual fiscal audit, including the source of deposits and reasons for withdrawals.	Medium	FY 2021/22 audit

Chapter 2 | Audit Scope and Methodology

The Triennial Performance Audit (TPA) of Mendocino Council Governments 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 Transportation Development Act (TDA) funding.

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

The Triennial Performance Audit is designed to be an independent and objective evaluation of MCOG as the designated RTPA for Mendocino 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. We believe the evidence obtained provides a reasonable basis for our 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 MCOG 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 MCOG’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 the Mendocino Council of Governments as the RTPA included thorough review of documents relevant to the scope of the review, as well as information contained on MCOG’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 Mendocino Council of Governments representatives on July 21, 2022. The audit team met with Nephele Barrett (Executive Director), Janet Orth (Deputy Director and Chief Financial Officer), Jody Lowblad (Administrative Assistant), Loretta Ellard (Deputy Planner), and Lisa Davey-Bates (Transportation Planner), 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 MCOG’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 compliance verification is not a Triennial Performance Audit function, several specific requirements concern issues relevant to the performance audit. The Triennial Performance Audit findings and related comments are delineated in Exhibit 3.1.

Compliance was determined through discussions with Mendocino Council of Governments 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.

No compliance issues were identified for MCOG.

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	Unmet Transit Needs hearings: December 4, 2017 February 4, 2019 February 3, 2020 February 7, 2022
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	
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* (finding waived)	FY 2018/19: May 11, 2020 FY 2019/20: February 24, 2021 FY 2020/21: March 30, 2022
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: February 19, 2020 FY 2019/20: April 22, 2021 FY 2020/21: March 25, 2022
The RTPA has submitted within 90 days after the end of the fiscal year an annual financial transactions report to the state controller.	CCR 6660	In compliance	FY 2018/19: January 30, 2020 FY 2019/20: January 30, 2021 FY 2020/21: January 31, 2022

**While the MTA fiscal audit for FY 2018/19 was submitted late, this was due to one-time extenuating circumstances including the start of the COVID-19 pandemic, transition to working from home, and the loss of staff in the Finance department. Given both subsequent audits were completed on time, the audit team elects to waive the finding in this case.*

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** (finding waived)	Michael Baker International was retained to prepare the FY 2016 – FY 2018 triennial performance audits. By statute, the audits should have been completed by June 30, 2019. MCOG received extensions to September 2019 and then December 2019. The MTA audit was completed/submitted on January 22, 2020. The MCOG audit was completed on April 30, 2020 and submitted on May 5, 2020. Moore & Associates was retained to prepare the FY 2019 – FY 2021 audits.
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)	In compliance	Letter to Caltrans dated May 5, 2020.
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	MCOG has established alternative performance standards – in addition to the farebox recovery ratio – for MTA’s individual services.
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 urbanized and newly urbanized areas.	PUC 99270.1, 99270.2	Not applicable	

***Given there were no findings in the prior Triennial Performance Audit that would impact funding allocations, and delays in completing the audit appeared to have been due to the auditor, combined with the onset of the COVID-19 pandemic, the audit team elects to waive a finding in this case. MCOG took steps to secure extensions from Caltrans, which it was granted through December 2019. In the future, MCOG should consider withholding the TDA allocation if the audit cannot be completed by the June 30 deadline.*

Compliance Element	Reference	Compliance	Comments
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	There are no Article 4.5 claimants in Mendocino County.
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	
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	
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	

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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 Mendocino Council of Governments has made quantifiable progress toward improving both the efficiency and effectiveness of its programs.

The prior audit – completed in April 2020 by Michael Baker International for the three fiscal years ending June 30, 2018 – included two recommendations:

1. [Consider an alternate funding formula for senior center TDA funds.](#)

Discussion: Carried over from prior audit. An alternate funding formula was suggested for consideration as conditions warrant a review. The alternate formula would follow a structure similar to the existing State Transit Assistance (STA) formula, where a certain portion of the allocation to a transit system is based on performance and the remaining portion is based on the discretion of MCOG in its capacity as the RTPA.

The suggested formula for the senior center TDA allocation would have two portions: one based on fare revenue/dedicated local support generated by each senior center, and the other based on an amount approved by the TPC. Because the split of this allocation would not have to be on a 50/50 basis, like the STA fund, discussion would be needed to determine appropriate amounts.

For the fare revenue portion, each senior center would receive revenue based on its share of fare revenue and local support relative to total fare and local support revenue generated by all senior centers. The remaining TDA amount would come from the discretionary portion, which would be determined by the TPC and based on need, budgets, or other criteria. The purpose of the suggested formula is to tie in a certain measure of performance that is already present in the funding process (senior center fare revenues provide local match to the TDA) and to incentivize the recipients to enhance service or increase productivity. The TDA subsidy amount provided by the MTA to the senior centers is close to reaching the agreed-upon subsidy cap.

Progress: In 2019, MCOG began working with its transit productivity committee, senior center representatives, and the SSTAC to review how funding was being allocated to the senior centers. Recommendations were made just prior to the start of the COVID-19 pandemic in 2020, which caused some delays in implementation. The MCOG Board adopted the new recommendations, which will be revisited every three years to ensure they remain relevant. FY 2022/23 is the first year the new formula is being used. As a result of the new formula, two of the senior centers that were receiving the greatest amount of funding actually had their funding reduced, based on the amount of the total service they are currently providing. Annual productivity reviews will also continue to look at performance by each senior center.

Status: Implemented.

2. Confirm alignment of MCOG personnel roles and responsibilities with RTPA functions.

Discussion: Although there had been no procedural changes, MCOG personnel had been operating under a new contract relationship that separated staff under two contracts, one for administration/fiscal services and the other for planning. This organizational change and RFP process had been expedited by the County in response to the Caltrans pre-award audit in 2014, so MCOG staff had been reviewing agency roles, job position descriptions, the organization chart, and reporting responsibilities, and refining and defining administrative and planning functions for a regional transportation planning agency (RTPA) and council of government (COG).

RTPA/COG roles and responsibilities were increasing and were defined through multiple areas such as state and federal statutes, state transportation agency guidelines, funding sources and scopes of work, and local needs and best practice. For example, state law requires an RTPA to develop a long-range regional transportation plan (RTP) pursuant to Government Code section 29532, which MCOG develops. The RTP development process evolved from meeting guidance and best practice that fit local conditions and needs.

The Overall Work Program (OWP), another requirement, is produced by MCOG and contains the annual work scope, budget, and deliverables for the agency. Caltrans provides an in-depth review of the OWP and its alignment with California Transportation Commission and Caltrans guidelines which MCOG continues to evaluate in confirming agency practice. Research and collection of peer agency work programs, organization charts, and staff job descriptions are another means of verifying MCOG activities. As MCOG participates in and is a member of numerous peer groups such as the California Association of Council of Governments, Rural Counties Task Force, and North State Super Region, information is available for an exercise of confirming agency roles.

With the settling of MCOG contract staff and business practices since the contract award, the prior auditor suggested an opportunity existed for ongoing MCOG review and evaluation of the organization in light of the growing responsibilities placed on RTPAs and COGs from changes in state and federal statutes.

Progress: The RTPA has evaluated its current organization and feels it is appropriate for the current workload. However, MCOG is regularly hearing about new things coming from the state that could add to the workload. The current Board is very progressive about what it wants to take on. Any of those things could result in a need for additional staff. There is currently one vacancy for a regional project coordinator due to a relocation. This position came about in 2010 from a board strategic planning workshop and a desire to see plans implemented, not miss opportunities, and deliver more projects. MCOG is using surface transportation funding for this position. After this position was created, there were a lot of new state programs created through SB1. Because all those new programs come with a lot of requirements, it emphasized the need for that position. No new positions have been created in the past three years.

Status: Implemented.

Chapter 5 | Goal Setting and Strategic Planning

This chapter analyzes the Mendocino Council of Governments’ goal setting and strategic planning process. The primary planning document is the Regional Transportation Plan (RTP). The RTP is a long-range (20-year) transportation plan providing a vision for regional transportation investments. The most recent update, which was completed in 2022, considers the role of transportation including economic factors, quality of life issues, and environmental factors.

The most recent Regional Transportation Plan (RTP) was updated in February 2022. Preparation of the RTP, which also featured an Active Transportation Plan, included coordination by MCOG with entities throughout Mendocino County, including Caltrans, City of Fort Bragg, City of Point Arena, City of Ukiah, City of Willits, Mendocino County Air Quality Management District, Mendocino County Department of Planning and Building Services, Mendocino County Department of Transportation, Mendocino Railway, Mendocino Transit Authority, Noyo Harbor District, Walk & Bike Mendocino, and local airports. Additional coordination occurred through participation in inter-regional groups such as the Regional Transportation Planning Agencies (RTPA) Group, Rural Counties Task Force (RCTF), California Transportation Commission (CTC), California Association for Coordinated Transportation (CalACT), California Association of Councils of Governments (CalCOG), and North State Super Region.

Public engagement for the RTP update was conducted differently than in prior years due to the COVID-19 pandemic. Rather than a series of in-person community workshops, MCOG conducted remote meetings via video and teleconference as well as utilized the Social Pinpoint online platform. The MCOG website featured a pre-recorded presentation, while individualized presentations were provided in communities throughout the county, to the Mendocino County Climate Action Advisory Committee, and to the Caltrans District 1 Tribal meeting, among others. Opportunities for public participation were promoted via media releases, email blasts, social media, and on the MCOG website. Regular updates were also provided during MCOG Board and Technical Advisory Committee meetings. Public outreach took place between October 2020 and December 2021.

The RTP update process included outreach to Tribal governments within Mendocino County, including offering presentations to Tribal Councils, distribution of draft plans, and presentation to the Caltrans District 1 Tribal meeting. Tribes included in this outreach included the Cahto Tribe of Laytonville, Coyote Valley Rancheria, Guidiville Indian Rancheria, Hopland Band of Pomo Indians, Manchester-Point Arena Band of Pomo Indians, Middletown Band of Pomo Indians, Pinoleville Pomo Nation, Potter Valley Tribe, Redwood Valley Rancheria, Round Valley Indian Tribes, and Sherwood Valley Rancheria.

The 2022 RTP utilized two planning models to forecast traffic and Vehicle Miles Traveled (VMT). These included a countywide travel demand model (completed by Fehr and Peers in 2010) and the Greater Ukiah Area Microsimulation Model, or GUAMM (developed by a consultant in 2015). The travel demand model forecast VMT estimates for each subregion through 2030. The GUAMM was designed to work with the countywide model and is specific to Ukiah. The 2010 travel demand model is expected to be updated by Caltrans District 1 as part of its traffic model updates.

The RTP includes goals, objectives, and policies in 15 planning categories: Climate change and environment; land use, accessibility, and the economy; Complete Streets; goods movement; transportation security and emergency response; state highway system; local streets and roads; active transportation; transit; rail transportation; aviation; maritime; tribal transportation; public health and equity; and financial policies. Each category contains at least one goal, and each goal features one or more objectives and supporting policies. All goals and objectives are well-crafted, with clear objectives specific to each goal and supporting policies that provide actionable steps to be taken toward the fulfillment of each objective.¹ The RTP also sets forth performance measures and standards for several categories, including transit.

Specific to public transportation, the Public Transit Service Element identified an Action Plan which proposed addressing the following short- and long-range projects:

- Short-range projects:
 - Short-range transit plan development
 - Transit hub location plan
 - Rural mobility solutions
 - Bus stop improvements
 - Solar powered maintenance facility – revamp solar canopy
 - Vehicle acquisitions
 - 1 staff vehicle (hybrid)
 - 2 staff vehicles (electric)
 - 2 staff vehicles (maintenance van)
 - 10 electric Dial-A-Ride buses
 - 13 electric cutaway buses
 - 9 electric heavy-duty buses
- Long-range projects:
 - Design and construction of new administration and operations building

In addition to the RTP, MCOG also provides funding to MTA for the development of the Short-Range Transit Plan for Mendocino County. The most recent SRTP was completed in March 2012, covering FY 2012 – FY 2016. Funding for an update to the SRTP has been identified. MTA is currently in the process of developing a Request for Qualifications (RFQ), which will be issued during the first half of FY 2022/23. The updated SRTP should encompass FY 2024 – FY 2028. It is expected to assess changes due to the COVID-19 pandemic, including shifts in ridership and the driver shortage, as well as explore service performance and the continued applicability of existing routes.

¹ The full list of RTP goals and objectives is provided in the 2022 Regional Transportation Plan, available online at www.mendocinocog.org/2022-regional-transportation-plan-adopted.

Chapter 6 | Functional Review

A functional review of the Mendocino 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

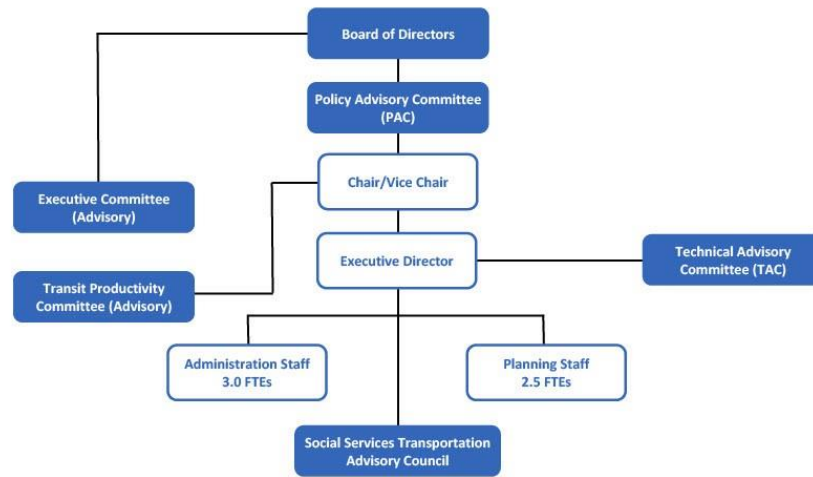
Administration and Management

The Mendocino Council of Governments (MCOG) is staffed through third-party contracts. Administration and fiscal services are contracted to Dow & Associates, while transportation planning services are under contract to Davey-Bates Consulting. MCOG does not have any direct employees.

The MCOG administrative offices are well organized. Important documents are stored in a physical office library and tracked through a database inventory. MCOG administrative staff has access to financial reports at any time through the County's finance system, which are regularly downloaded and reconciled quarterly with MCOG's customized QuickBooks system. Member agencies submit reports on a quarterly basis. Staffing levels are sufficient and provided through contracts. Contract staff turnover is generally low, with the exception of front desk and administrative assistant positions. At the time of the site visit, MCOG had one vacancy due to a relocation out of state, which would be filled in October 2022. MCOG staff meetings are held every other week. Continuing education and training programs are also available to employees.

MCOG has established clear, comprehensive, and realistic goals and objectives. The RTPA has planned schedules and milestones for completing these goals and objectives established in the Regional Transportation Plan, Overall Work Program, and the annual budget. MCOG staff prepare a quarterly report which compares budgeted expenditures vs actual expenditures.

Exhibit 6.1 Organizational Chart (FY 2019/20)



The Mendocino Council of Governments is comprised of two Mendocino County supervisors, a countywide public appointee, and one council member from each of the four incorporated cities: Fort Bragg, Point Arena, Ukiah, and Willits. An *ex-officio* representative from Caltrans District 1 also serves on the Policy Advisory Committee. Members of the MCOG Board during the audit period included:

- Tess Albin-Smith, City of Fort Bragg (2019 – 2021)
- Jim O. Brown, City of Ukiah (2019 – 2021)
- Michael Carter, Countywide Public Appointee (2019 – 2021)
- Mike Cimolino, City of Fort Bragg (2017 – 2018)
- Georgeanne Croskey, Mendocino County (2017 – 2018)
- Dan Gjerde, Mendocino County (2003 – 2021)
- John Haschak, Mendocino County (2019 – 2021)
- Brad Mettam, Caltrans District 1 (or designee) (*ex-officio* member) (2013 – 2021)
- Susan M. Ranochak, Countywide Public Appointee (2009 – 2018)
- Steve Scalmanini, City of Ukiah (2015 – 2018)
- Larry Stranske, City of Willits (2009 – 2021)
- Richey Wasserman, City of Point Arena (2017 – 2021)

The MCOG board meets the first Monday of each month at 1:30 p.m. in the Mendocino County Board of Supervisors Chambers (501 Low Gap Road, Ukiah). Due to the COVID-19 pandemic, all meetings are being held via Zoom. Attendance at monthly board meetings is good.

The MCOG board and staff are supported by four advisory committees, which meet throughout the year.

1. The **Executive Committee** is comprised of the Chair, the Vice Chair, and one member for a city or the County. The Executive Committee is responsible for administrative functions and the creation of policy recommendations to the full council. This committee meets in February to review the first draft budget, and on an as needed basis throughout the year.

2. The **Transit Productivity Committee (TPC)** comprises five voting members: two MCOG board members, two Mendocino Transit Authority board members, and one representative from the five senior centers in MCOG’s jurisdiction. Meetings are held annually to review and make recommendations on transit performance and standards, unmet transit needs, MTA’s claim for funds, and other related matters.
3. The **Social Services Transportation Advisory Council (SSTAC)** is a committee that includes disabled and senior transit users as well as representatives of various social services providers, low-income individuals, and the Consolidated Transportation Service Agency (CTSA). While there are nine seat designations, some members may represent multiple seats, while other seats may be vacant. SSTAC meetings are typically held twice annually and advise MCOG on the unmet transit needs process and other transportation recommendations.
4. The **Technical Advisory Committee (TAC)** is comprised of ten technical representatives, primarily from the County and cities. They include the County Director of Transportation, County Director of Planning and Building Services, Mendocino Transit Authority General Manager, Caltrans Transportation Planning Branch Chief, one technical representative from each of the four cities, the County Air Pollution Control Officer, and a rail representative (non-voting) appointed by the North Coast Railroad Authority. The TAC meets on the third Wednesday of the month at 10:00 a.m., with meetings open to the public.

Notable accomplishments for the MCOG during the audit period include the following:

- Update of the Regional Transportation Plan for Mendocino County, which also included an Active Transportation Plan (completed in 2022).
- Completion of the Mendocino County Coordinated Public Transit – Human Services Transportation Plan update (2021).
- Completion of a Fire Vulnerability Assessment, including an evacuation and repopulation plan, which provides a useful tool for emergency responders and supplements the County’s official Emergency Operations Plan (2020).
- Continued implementation of the Mendocino County Zero Emission Vehicle (ZEV) and Alternative Fuels Readiness Plan update (2019), including an initiative to convene and lead the North State ZEV Working Group, formalized by the 16-county North State Super Region.
- Amendment, by unanimous resolutions of the member entities, of the Joint Powers Agreement to add housing matters as a specific power, making MCOG eligible for state grants to plan for housing in its local jurisdictions.

Impact of COVID-19 pandemic

At the start of the COVID-19 pandemic, MCOG transitioned to mostly remote work. All staff, with the exception of two support staff positions in the office full time, worked from home. All meetings, including Board meetings and Technical Advisory Committee (TAC) meetings, met via Zoom. No meetings were cancelled due to COVID-19. MCOG has found public participation at Board meetings has increased since holding them via Zoom.

MCOG staff was able to maintain a constant level of performance with effective communication. Staff met up to three times a week at the beginning of the work from home transition, and the number of meetings has since declined as staff has returned to working in the office. An intranet chat forum for staff

communication was started and continues in regular use. As more meetings statewide went virtual, MCOG has had the ability to attend more. Filing moved into digital record keeping. MCOG staff is steadily transitioning its files into this space.

Claimant Relationships and Oversight

MCOG has a formal productivity committee to review transit services and offer recommendations to lower transit costs. The committee meets annually to identify improvements. The productivity committee recently recommended updating a long-standing funding distribution formula to senior centers contracted to provide specialized transportation services.

MCOG provides technical and managerial assistance to the transit operator on an as-needed basis. In the past, MCOG has assisted MTA with grant preparation and transit planning studies conducted as part of MCOG's Overall Work Program. MCOG and MTA have a positive and effective working relationship. The two organizations work independently but coordinate their efforts as appropriate and necessary. MCOG processes TDA claims in an accurate and timely manner. However, delayed submittal regarding senior center contract activity by MTA can result in delays to the agreed-upon timelines for the release of allocated funds. MCOG procures an outside consultant to conduct fiscal and performance audits for the RTPA and the operator. During the prior triennial performance audit process, the reports have been received late, and extensions were granted by Caltrans.

Transportation Planning and Regional Coordination

The most recent Mendocino County Regional Transportation Plan (RTP) was adopted on February 7, 2022. The RTP sets forth a series of transportation-related goals for Mendocino County, each supported by objectives, implementation strategies, and performance measures. (Many of these are detailed in Chapter 5.) In addition, the plan includes a Needs Assessment for each mode identifying weaknesses, gaps, and needs specific to that transportation mode. Mendocino County's RTP has been an effective planning tool with a positive impact on the region. The RTP includes all elements required under state guidelines, including a discussion of issues for each transportation mode, mode-specific goals, actions to address the issues, and a timeline for implementation.

Information regarding MCOG's projects and plans are publicly available via its website. The RTP, as well as the Overall Work Program, is provided to local operators and government agencies to summarize proposed planning work.

MCOG regularly receives information from state agencies on transportation-related mandates, funding, and other issues. It also collects information from planning and zoning agencies as part of its Regional Housing Needs Allocation (RHNA) responsibilities and Regional Early Action Planning (REAP) program.

MCOG considers transportation service levels provided by the MTA and senior centers as part of its annual productivity review process. Information regarding other transportation services provided within Mendocino County are included within the Coordinated Public Transit – Human Services Plan (most recently updated in 2021).

Marketing and Transportation Alternatives

Nearly all marketing for transit services in Mendocino County is provided by the MTA. The senior centers include service information for their programs on their individual websites, and some feature a brochure as well. MCOG provides funding for outreach and marketing related to transit projects, plans, and studies, including conducting surveys related to these activities through the Overall Work Program.

MCOG’s website lists completed plans and studies along with an archive of board meeting minutes. MCOG staff is administering a feasibility study to research alternative mobility options in five rural inland communities, as well as leading a working group to study interest in local bicycle and scooter sharing programs.

Grant Applications and Management

MCOG assists its operator by reviewing and assisting with grant applications when requested, but does not handle grant applications or claims on behalf of the operator. MTA regularly applies for FTA Section 5311 formula grants, competitive Section 5311(f) and capital grants, and others as identified. MCOG also assists its operators with FTA Section 5310 grants. Under the prior MTA administration, planning grants for the Short Range Transit Development Plan update were denied due to insufficient budget details. MTA later reapplied for funding.

Under the prior MTA management, some grant invoices were not submitted in a timely manner, which resulted in Caltrans contacting MCOG management for assistance. MCOG verifies eligibility for TDA funds annually through fiscal audits and the transit claim for TDA funds.

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Chapter 7 | Findings and Recommendations

Conclusions

Moore & Associates finds MCOG 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.

Findings and Recommendations

Based on the current review, we submit no TDA compliance findings:

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 fiscal audit of the Mendocino Transit Authority does not include details regarding the MTA's operating and capital reserve funds.

In completing this Triennial Performance Audit, the auditors submit the following recommendations for the MCOG'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.

Given there were no compliance findings, only functional findings are presented below.

Functional Finding 1: The fiscal audit of the Mendocino Transit Authority does not include details regarding the MTA's operating and capital reserve funds.

Criteria: In 2016, MTA's Board of Directors approved a reserve funds policy to provide operating and capital reserves for the agency's use. The policy was approved by the Board on June 30, 2016. It authorized the Board to establish reserve accounts specifying the purpose of the reserve, identifying eligible uses, identifying the funding source(s), and specifying a minimum funding level. The reserves were to be incorporated into the fiscal year-end financial analysis prepared by staff and presented to the MTA Board. All such reporting should be "self-explanatory and easy to understand."²

Condition: While the policy itself appears to be in compliance with the TDA, review of MTA's documents as part of this audit has raised some questions, primarily regarding the operating reserve. It is currently unclear 1) how often MTA contributes to the reserves, 2) how often it uses funding from the reserve, and 3) whether there is a cap on the amount in the fund. The main concern is not that MTA wishes to maintain operating and capital reserves, but that the process for developing and monitoring those accounts does

² Note: The discussion herein refers to MTA's internal operating and capital reserve funds, not the capital reserve fund maintained on MTA's behalf by the RTPA.

not appear to be transparent. Neither of these accounts is discussed within the annual fiscal audit. This recommendation is included in MCOG’s triennial performance audit as it is responsible for managing the annual fiscal audit contract. (Additional detail regarding this issue, especially as it pertains to funding policy and MTA internal reporting to the Board, is included in the MTA Triennial Performance Audit report.)

Cause: Lack of transparency with respect to reserve funds can be the result of inconsistent use or unfamiliarity with the language of the policy.

Effect: This appears to have resulted in a level of reporting that is not “self-explanatory and easy to understand,” as stipulated by the language in the policy.

Recommendation: Include the current balance of any reserve account as part of MTA’s annual fiscal audit, including the source of deposits and reasons for withdrawals.

Recommended Action: In addition to including the above information in the fiscal audits, the audit team also recommends MTA be very clear about balancing unmet transit needs with the need to establish a reserve. At a minimum, any funds added to the operating reserve once the 25 percent threshold has been achieved should only be added after any unmet transit needs have been met. The operating reserve should find a balance between contingency planning and the need to address transit needs. A key component of this is having an understanding of how much money is in the reserve fund, what the source of those funds are (and any restrictions there may be on their use), and providing the Board with sufficient information to make informed decisions about the use of those funds.

Timeline: Beginning with the FY 2021/22 financial audit.

Anticipated Cost: Unknown.

Exhibit 7.1 Audit Recommendations

	Functional Recommendation	Importance	Timeline
1	Include the current balance of any reserve account as part of MTA’s annual fiscal audit, including the source of deposits and reasons for withdrawals.	Medium	FY 2021/22 audit