

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

295

FINANCING AND EVALUATING
PUBLIC TRANSIT SYSTEMS
IN CALIFORNIA

JANUARY 1977



Joint Legislative Audit Committee

OFFICE OF THE AUDITOR GENERAL

California Legislature



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January 26, 1977

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of
the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits
the Auditor General's report on financing and evaluating
public transit systems. The study by the Office of the Auditor
General was mandated by SB 1687 (Mills), Chapter 1348 of the
Statutes of 1976.

The auditors are: Thomas W. Hayes, Dennis Sesler, CPA,
John P. Sontra, II, Kenneth Mason and Cynthia Dirks.

Respectfully submitted,

MIKE CULLEN, Chairman
Joint Legislative Audit Committee

MC:tsw

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SUMMARY

California's Transportation Development Act (TDA) of 1971 authorized counties to use one-quarter of one percent of the existing sales tax for specified transportation purposes. Since TDA funds became available, transit systems in the State have become increasingly dependent upon government subsidies. During FY 1975-76 TDA funding totaled \$190.4 million.

Chapter 1348 of the Statutes of 1976 required the Auditor General to study public transit in California. The study showed that:

- Increasingly large transit deficits have occurred because service expansion and inflationary pressures have caused costs to increase more rapidly than revenue. The seven systems we studied recovered between 11 and 39 percent of their operating expenses from operating revenue during FY 1975-76 (p. 6).
- Revenue has not increased as rapidly as costs because fares have generally remained stable and patronage per hour of service has not changed significantly since 1970 (p. 6).
- There is no system for routinely measuring the efficiency and effectiveness of California's transit operations. Therefore, legislators and citizens do not know if they are getting adequate service for the fares and subsidies they provide (p. 31).

- The fiscal and management audit requirements for TDA expenditures are not comprehensive and do not adequately disclose how these funds are spent. None of the seven systems we studied had received the required performance audits and only five had received the required fiscal audits (p. 43).

On page 29 we list alternatives which could be used to reduce transit deficits. On pages 41 and 48 we recommend legislative action to establish a performance evaluation system and improve audit requirements.

INTRODUCTION

As mandated by Chapter 1348 of the Statutes of 1976, the Auditor General has studied public transportation systems in California to determine (a) methods to minimize the operational deficits and to evaluate the efficiency of public transportation systems and (b) the adequacy of fiscal and management audit requirements of all funds expended under Chapter 4 (commencing with Section 99200), Part 11, Division 10 of the Public Utilities Code.

Public Transit Financial Crisis

Since the late 1960's most of California's public transit systems have incurred increasingly large deficits. These deficits developed because operating expenses have risen sharply while operating revenues have not. Presently, California transit operators now recover between zero and 69 percent of their operating expenses through passenger fares and other operating revenue. While deficits have continued to increase, Federal, State and local governments have elected to provide financial subsidies to meet them. The justification for these subsidies is that transit systems provide certain social benefits to the community such as mobility for nondrivers, reduced traffic congestion, and improved environmental conditions.

The Federal Urban Mass Transportation Administration (UMTA) provides financial assistance to transit systems for both operating and capital expenditures. Capital grants equal to 80 percent of the

purchase price are routinely awarded to transit systems that want to make major purchases of equipment or buildings. For example, during FY 1974-75 UMTA awarded Sacramento Regional Transit a capital grant of \$9.8 million to help finance capital expenditures totaling \$12.3 million.

UMTA also provides operating subsidies to transit operators who meet specified requirements. The amount of these subsidies is based on the population and population density of the service area. During FY 1975-76 UMTA approved a combined total of \$47.5 million in operating assistance for California transit operators.

California's Transportation Development Act (TDA) of 1971 authorized a Local Transportation Fund in each of California's counties to help fund local transportation needs. Revenue for these funds comes from additional sales taxes which the Act made available to the counties.^{1/} Each fund is controlled by the county board of supervisors, regional transportation planning agency, local council of governments or transportation commission as specified in the TDA. During FY 1975-76 TDA funding totaled \$190.4 million.

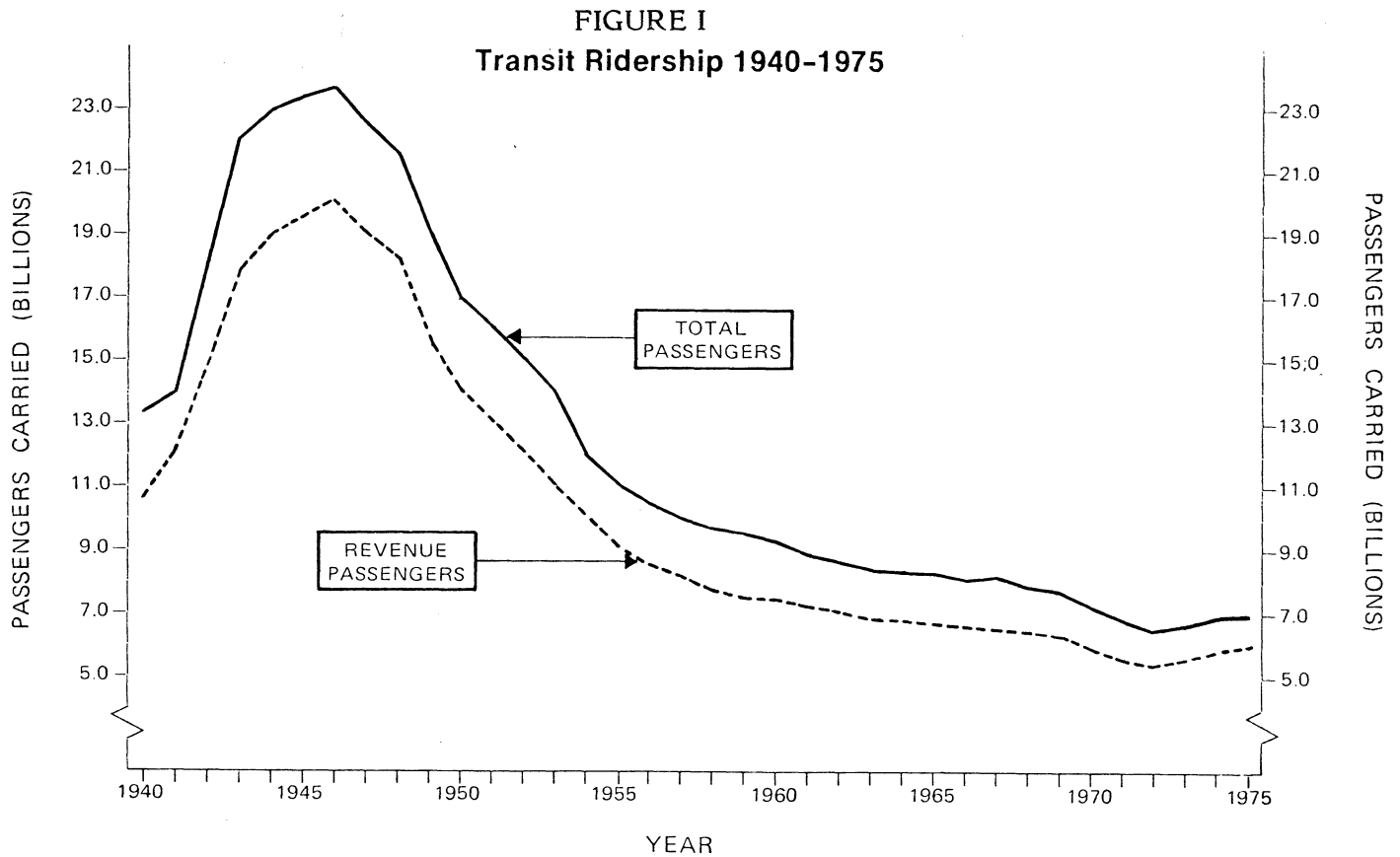
Some local governments also provide subsidies for transit operations; however, the majority do not. During FY 1975-76, these subsidies ranged from zero to about \$108 per capita. Local subsidies are normally equal to the difference between the combined total of operating revenues, Federal subsidies and TDA funds and the amount needed to provide the level of service local policy makers establish.

^{1/} The Transportation Development Act allocated an additional one-quarter of one percent of the existing sales tax to California counties for specified transportation purposes.

Even with government subsidies, many of California's transit operators project unfunded deficits between 1976 and 1980. In order to provide existing or expanded levels of service, these operators must either reduce projected expenditures and/or increase revenue.

Decline in Ridership

The transit industry in the United States has experienced a substantial decrease in ridership since World War II as people became increasingly dependent on automobiles. This ridership decline is illustrated by Figure 1.



Source: American Public Transit Association

According to the American Public Transit Association, private investment capital withdrew from transit systems as ridership declined and costs increased. During the late 1960's and early 1970's, the privately owned transit systems became almost extinct as ridership dwindled to its lowest point in 30 years.

Since the change to public ownership, transit systems have expanded and improved service in an effort to increase public usage. Transit ridership has increased in 1974 and 1975; however, it is impossible to project whether this is the beginning of a long-term trend.

Scope of Study

There are approximately 75 transit systems in the State which receive funds authorized by the Transportation Development Act. It was not possible to review the operations of each of these systems, so we selected a sample of seven operators. While this sample size is not large enough to project findings to all transit systems in the State, it illustrates the operating characteristics of transit systems in both urban and rural areas. The sample systems were Alameda-Contra Costa Transit District, City of Merced Transit System, Gold Country Stage (Nevada County), Sacramento Regional Transit District, San Diego Transit Corporation, Southern California Rapid Transit District (Los Angeles metropolitan area) and South Coast Area Transit (Ventura-Oxnard). Gold Country, San Diego, Southern California and South Coast provide fixed route service; Merced provides demand responsive service; and Alameda-Contra Costa and Sacramento provide both fixed route and demand responsive service.

Advisory Committee

The legislation which mandated this study also required that the Auditor General appoint an advisory committee to provide assistance and guidance in conducting the study. The committee consisted of representatives of the following organizations:

California Association of Publicly Owned Transit Systems
Bay Area Rapid Transit District
Southern California Rapid Transit District
Western Nevada County Transportation Agency
County Supervisors Association of California
League of California Cities
Metropolitan Transportation Commission
Southern California Association of Governments
Sacramento Regional Area Planning Commission
Comprehensive Planning Organization
California Conference Board (Amalgamated Unions)
United Transportation Union
California Department of Transportation

STUDY RESULTS

OPPORTUNITIES TO MINIMIZE DEFICITS
INCURRED BY PUBLIC TRANSIT SYSTEMS

California transit systems are becoming increasingly dependent upon government subsidies to continue and expand service. Each of the seven systems we studied is currently operating in deficit. Additionally, four of these systems project future deficits which cannot be met without increased operational and/or subsidy income (Appendix I). If these deficits are to be minimized, transit systems must control costs--primarily through reducing service levels or limiting service expansion--and/or increase revenue--primarily through raising fares.

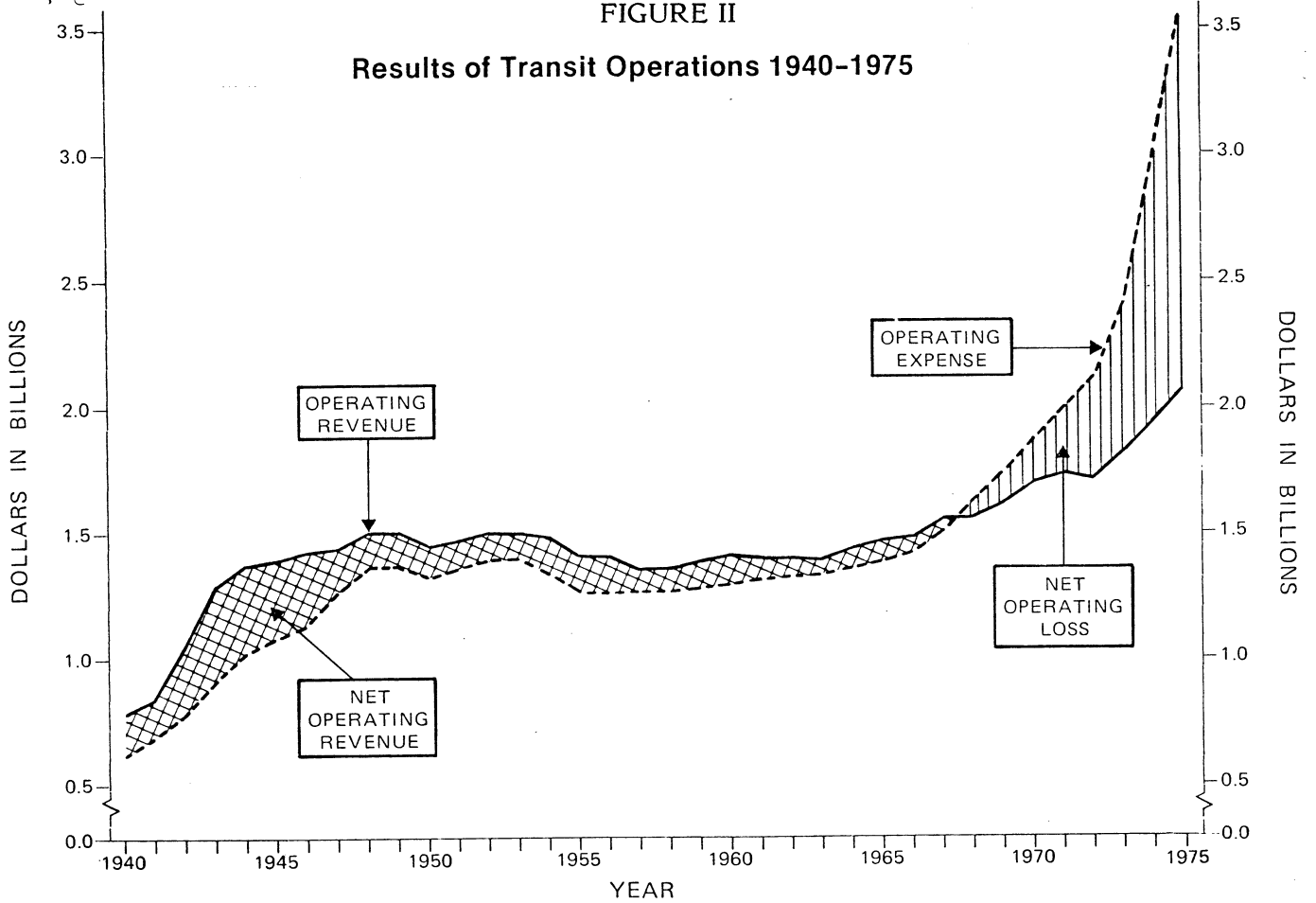
Neither the Federal nor the State Government award subsidies in a manner which provides incentive for local transit systems to minimize operational deficits. In fact, federal subsidies and state-authorized sales tax subsidies have provided major revenue sources which California's transit systems have used to fund such deficits.

Problems in Financing Public Transit

Until the mid-1960's, the nation's transit industry as a whole operated profitably. Since the mid-1960's the industry has accumulated increasingly large deficits which required increasingly large government subsidies. This change can be seen in Figure II.

FIGURE II

Results of Transit Operations 1940-1975



Source: American Public Transit Association

California's transit systems have generally followed the national trend of increasingly large deficits. Since 1970 problems in financing California's transit systems have become even more acute. Both the United States Congress and the State Legislature, however, have authorized subsidies to alleviate financing problems. In 1972 the State permitted establishment of a Local Transportation Fund in each county and in 1974 the Federal Government began providing operating subsidies to assist local transit systems. Federal subsidies are distributed to transit systems based on the population of the area served. State-authorized TDA subsidies are allocated by regional transportation planning agencies

based on a variety of formulas. Neither the Federal nor the TDA subsidies are distributed in a manner which would provide incentives to control deficits.

Since these subsidies have become available, California transit systems have used them to rapidly expand service. Table I illustrates the growth in service miles and service hours since 1972.

The expansion in service miles and hours has improved service for the taxpayers. When coupled with inflation and salary increases, however, it has caused operating costs to increase sharply. Since fares and patronage per service hour have remained fairly level, the increase in operating costs has not been met with a concurrent increase in operating revenues. At the seven systems we visited, operating revenues have absorbed a decreasing share of the expenses (Table II). The national average for recovery of operating expenses from operating revenues is 54 percent. At present, all the transit systems we visited recover less than this national average.

TABLE I

Vehicle Service Miles
And Vehicle Service Hours

<u>Vehicle Service Miles</u>	<u>FY 1972</u>	<u>FY 1973</u>	<u>FY 1974</u>	<u>FY 1975</u>	<u>FY 1976</u>
Southern California Rapid Transit District (1)	55,859,600	56,439,200	61,588,600	61,514,600	92,134,800
Alameda - Contra Costa Transit District (2)	25,832,248	25,843,922	27,097,722	23,927,199	29,261,476
San Diego Transit Corporation	6,543,990	7,844,850	8,696,160	10,276,470	12,391,380
Sacramento Regional Transit District (3)	--	--	7,417,410	7,344,453	6,873,000
South Coast Area Transit	--	--	--	902,253	906,852
City of Merced Transit System	--	--	--	142,580	159,445
Gold Country Stage	--	--	--	--	99,084
<u>Vehicle Service Hours</u>					
Southern California Rapid Transit District (1)	4,317,600	4,351,200	4,766,400	5,115,600	6,433,200
Alameda - Contra Costa Transit District (2)	1,746,426	1,798,875	1,875,105	1,654,737	2,006,578
San Diego Transit Corporation	Not Readily Available	548,042	629,368	728,921	868,853
Sacramento Regional Transit District (3)	--	--	438,404	461,183	482,279
South Coast Area Transit	--	--	--	62,396	62,672
City of Merced Transit System	--	--	--	8,068	8,858
Gold Country Stage	--	--	--	--	5,544

Notes: (1) During fiscal year 1974/75 SCRDT experienced a 68 day strike.
(2) During fiscal year 1974/75 A/C Transit experienced a 61 day strike.
(3) During fiscal year 1975/76 SRTD experienced a 46 day strike.

TABLE II

Percent Of Operating Costs
Recovered By Operating Revenue

	<u>1971/72</u>	<u>1972/73</u>	<u>1973/74</u>	<u>1974/75</u>	<u>1975/76</u>
Southern California Rapid Transit District	72%	62%	53%	32%	32%
Alameda - Contra Costa Transit District	65%	59%	51%	40%	39%
San Diego Transit Corporation	61%	44%	42%	34%	32%
Sacramento Regional Transit District	--	--	31%	25%	23%
South Coast Area Transit	--	--	36%	32%	29%
Merced Transit System	--	--	--	14%	15%
Gold Country Stage	--	--	--	--	11%

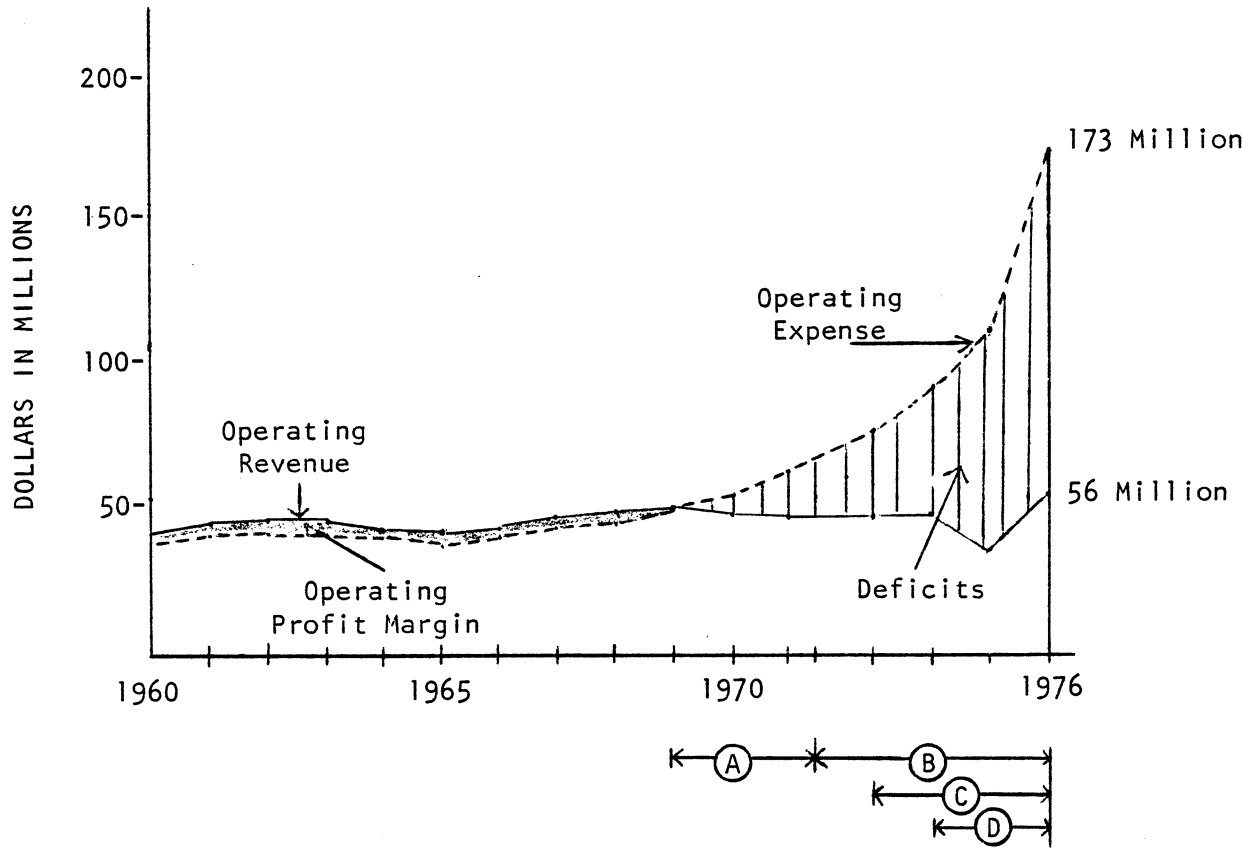
An example of how a transit system changed from being self-sufficient to being heavily dependent upon subsidies is demonstrated by analyzing the operations of the Southern California Rapid Transit District (SCRTD) since 1960. During the period 1960 to 1969, SCRTD's transit service did not expand. The number of vehicles and the total number of miles operated remained constant. Because the annual patronage declined during this period, fares were raised to sustain a level profit margin.

In 1970 SCRTD incurred its first large operational deficit. From 1970 to 1976, the annual deficit increased from \$7 million to \$117 million. Costs, which had increased by only 28 percent during the 1960's, increased by 210 percent between 1970 and 1976. Service miles increased only 75 percent during this period. Most of the cost increases came after 1973 when SCRTD "...embarked on an aggressive Bus Service and Improvement Program."^{1/} TDA funds were used to help finance this program.

While the number of passengers carried has increased by 118 percent between 1970 and 1976, passenger revenue has increased only 10 percent because fare rates were reduced. The early deficits between 1970 and 1972 were partially subsidized from a temporary six month one-half cent sales tax increase authorized by the State Legislature. After 1973, however, funding from federal, state and local entities has subsidized an increasing percentage of SCRTD's deficits as shown in Figure III.

^{1/} Southern California Rapid Transit District Annual Report 1972-73, page 7.

FIGURE III
 SOUTHERN CALIFORNIA RAPID
 TRANSIT DISTRICT OPERATIONS
 1960-1976



- (A) AB 2136 Lanterman Bill ($\frac{1}{2}\text{¢}$ sales tax for 6 months)
- (B) SB 325 Transportation Act ($\frac{1}{4}\text{¢}$ of current sales tax)
- (C) Los Angeles County Contract
- (D) UMTA Section 5 Funds

The decline of operating revenue during 1975 was partially caused by a 68-day strike by bus operators. SCRTD also contracted with the County of Los Angeles to provide new services in 1975. While the contract was to subsidize the new routes, it also required SCRTD to lower its fare to 25 cents, causing further declines in passenger revenue. The contract with the County was renewed for 1976 and it had the effect of holding down the 1976 operating revenue despite a 55 percent increase in ridership from 1975.

Revenue Sources for Public Transit

California transit operations are financed through several sources of revenue. The percentage contribution from each of these sources has fluctuated over the past several years (See Appendices B through H). During FY 1975-76 the revenue sources for each of the operators we visited were as shown in Table III.

As can be seen, each of these systems has chosen to rely on a different combination of sources to meet its operating needs. Of particular interest is the percentage contribution of operating revenues, which until the 1960's had normally been the only source. Table IV illustrates the revenue per service hour since 1972.

TABLE III

Transit Revenue Sources - FY 1975/76

Operators	Passenger Fare	Charter Service	Property Tax Proceeds	TDA (2) Funds	Federal Subsidies	City And County Subsidies	Other (1) Income	Total Revenue
Sacramento Regional Transit District Percent	\$ 2,154,095 19.1%	--	--	\$ 6,041,297 53.6%	\$ 1,714,661 15.2%	\$ 916,271 8.1%	\$ 449,289 4.0%	\$ 11,275,613 100.0%
Alameda - Contra Costa Transit District Percent	\$15,393,568 30.3%	\$654,589 1.3%	\$19,379,916 38.2%	\$ 6,873,111 13.5%	\$ 5,957,228 11.7%	--	\$2,519,578 5.0%	\$ 50,777,990 100.0%
Southern California Rapid Transit District Percent	\$53,596,000 32.1%	--	--	\$59,904,000 35.9%	\$28,506,000 17.1%	\$21,772,000 13.0%	\$3,207,000 1.9%	\$166,985,000 100.0%
San Diego Transit Corporation Percent	\$ 7,793,339 35.7%	\$ 27,301 .1%	--	\$ 7,286,582 33.4%	\$ 5,075,895 23.2%	\$ 1,568,903 7.2%	\$ 88,454 .4%	\$ 21,840,474 100.0%
South Coast Area Transit Percent	\$ 319,156 25.2%	1,396 .1%	--	\$ 912,106 72.1%	--	--	\$ 33,070 2.6%	\$ 1,265,728 100.0%
City of Merced Transit System Percent	\$ 23,879 14.9%	--	--	\$ 136,918 85.1%	--	--	--	\$ 160,797 100.0%
Gold Country Stage Percent	\$ 9,427 11.7%	\$ 173 .2%	--	\$ 70,746 88.1%	--	--	--	\$ 80,346 100.0%

Notes: (1) Other income consists of the following:
Special Bus, Advertising, Interest Income,
Subscription Service, Contract Service
and Other Income.

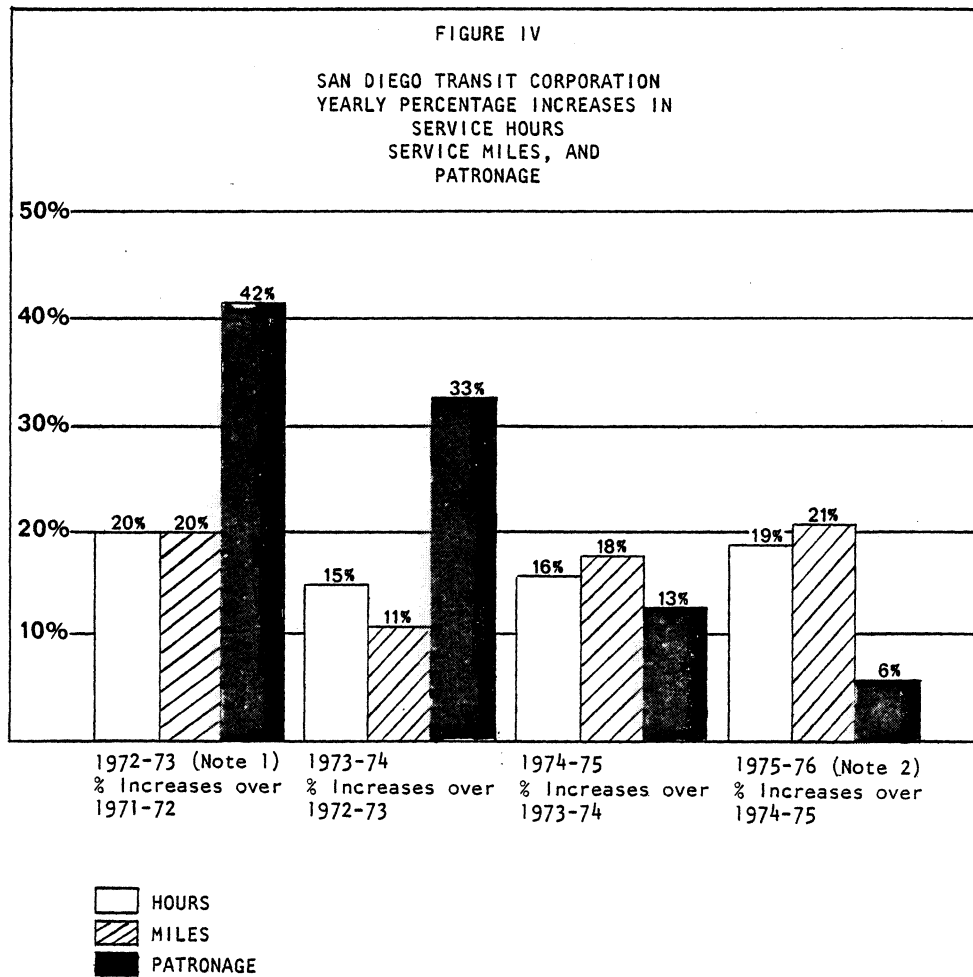
(2) After a transit system has been established
for at least five years, it can use TDA funds
for a maximum of 50 percent of its total budget
less Federal subsidies.

TABLE IV

OPERATING REVENUE
PER VEHICLE SERVICE HOUR

<u>Operators</u>	<u>1971/72</u>	<u>1972/73</u>	<u>1973/74</u>	<u>1974/75</u>	<u>1975/76</u>
Southern California Rapid Transit District	\$ 11.22	\$ 11.11	\$ 10.39	\$ 7.13	\$ 8.68
Alameda - Contra Costa Transit District	\$ 9.11	\$ 8.96	\$ 9.33	\$ 8.88	\$ 9.09
San Diego Transit Corporation	Not Readily Available	\$ 9.15	\$ 9.56	\$ 8.95	\$ 9.03
Sacramento Regional Transit District	--	--	--	\$ 5.28	\$ 5.16
South Coast Area Transit	--	--	--	\$ 4.90	\$ 5.24
City of Merced Transit System	--	--	--	\$ 2.30	\$ 2.70
Gold Country Stage	--	--	--	--	\$ 1.73

Table IV illustrates that patronage and fare rates have not increased as rapidly as service levels and inflation. For example, each year since 1972, San Diego Transit Corporation (SDTC) has expanded service levels. Service hours have increased by 90 percent since 1972. Most of this expansion came after 1974. SDTC has also experienced a 126 percent increase in patronage between 1972 and 1976; however, most of that increase came between 1972 and 1974.



Note #1: Fares were decreased effective September 1972 from a 40¢ plus zone to a 25¢ basic fare.

Note #2: Fares were increased effective August 1975 from a 25¢ basic fare to a 35¢ basic fare. This was the first fare increase since June 1970.

As the above figures illustrate, SDTC is experiencing diminishing increases in new passengers in recent years from its increases in service levels.

The SDTC cost per unit of service has been steadily increasing. The following chart shows the increase in cost of each service hour and mile since FY 1971-72:

	<u>Cost Per Service Hour</u>	<u>Cost Per Service Mile</u>
1971-72	\$ 19.16	\$ 1.34
1972-73	20.86	1.46
1973-74	22.53	1.63
1974-75	26.59	1.89
1975-76	27.88	1.95

As inflation increased costs, these increases were not passed on to the passengers through fare adjustments. In fact, in September 1972 fares were reduced and were not increased again until July 1975. Since fares were not increased until 1975, revenue generated from each hour and mile of bus service has declined during the same period.

	<u>Revenue Per Hour</u>	<u>Revenue Per Mile</u>
1971-72	\$11.65	\$.82
1972-73	9.15	.62
1973-74	9.56	.69
1974-75	8.95	.64
1975-76	9.03	.63

One opportunity for increasing the operating revenue of California's transit systems is to increase fare rates. Fares have been relatively stable since the large deficits began for each of the transit systems we sampled. The fare structures since 1970 are shown in Table V.

TABLE V
FARE STRUCTURE HISTORY OF OPERATORS SAMPLED

	Southern California Rapid Transit District (7)	A/C Transit District Off-Peak	San Diego Transit Corporation	Sacramento Regional Transit District (4)	South Coast Area Transit	City of Merced Transit System (2)	Gold Country Stage (1)
1975-1976:	Regular Students Senior Citizens Handicapped Youth Fare Zone Fare-Express Trans-Bay: Regular (5) Senior Citizens Handicapped (9)	\$.25 .15 .10 .10 - .25 .25 .30-.40 .30-.40	\$.25 .15 .10 .10 .15 .25-.60 .60-.85 .30-.40 .60-.85	\$.35 .25 .15 .15	\$.25 .15 .15 .15	\$.25 .15 .10 .10 (3) Fixed Fares Began Oct., 1975	\$.25 .15 .10 .10 - - -
1974-1975:	Regular Students Senior Citizens Handicapped Youth Fare Zone Fare-Express Trans-Bay: Regular Senior Citizens Handicapped (9)	\$.25 .15 .10 .10 - .25 .25 .30-.40 .30-.40	\$.25 .15 .10 .10 .15 .25-.60 .60-.85 .30-.40 .60-.85	\$.25 .25 .25 .25	\$.25 .15 .15 .15	\$ Complex Zone Fare System Began Operation June 27, 1974	\$.25 - - - - - Began Operation May 27, 1974
1973-1974:	Regular Students Senior Citizens Handicapped Youth Fare Zone Fare Trans-Bay: Regular Senior Citizens Handicapped (9)	\$.25 .15 .10 .10 - .25 .25 .30-.40 .30-.40	\$.25 .15 .10 .10 .15 .25-.60 .60-.85 .30-.40 .60-.85	\$.25 .25 .25 .25	\$.25 .15 .15 .15	\$ Complex Zone Fare System Began Operation Nov. 4, 1973	X X X X X X X X
1972-1973:	Regular Students Senior Citizens Handicapped Youth Fare Zone Fare Trans-Bay: Regular Senior Citizens Handicapped (9)	\$.30 .15 .10 .10 - .08 per zone .08 per zone .30-.40 .30-.40	\$.25 .15 .10 .10 .15 .25-.60 .60-.85 .30-.40 .60-.85	\$.25 (6) .25 .25 .25 .25 - .10-.50 -	\$.25 .15 .15 .15	Began Operation April 1, 1973	X X X X X X X X
1971-1972:	Regular Students Senior Citizens Handicapped Youth Fare Zone Fare Trans-Bay: Regular Senior Citizens Handicapped (9)	\$.30 .15 .10 .10 - .08 per zone .08 per zone .30-.40 .30-.40	\$.25 .15 .10 .10 .15 .25-.60 .60-.85 .30-.40 .60-.85	\$.40 .25 .25 .25 - - .10-.50 -	X X X X X X X X	X X X X X X X X	
1970-1971:	Regular Students Senior Citizens Handicapped Youth Fare Zone Fare Trans-Bay: Regular Senior Citizens Handicapped (9)	\$.30 .15 .10 .10 - .08 per zone .08 per zone .30-.40 .30-.40	\$.25 .15 .10 .10 .15 .25-.60 .60-.85 .30-.40 .60-.85	\$.40 .25 .25 .25 - - .10-.50 -	X X X X X X X X	X X X X X X X X	

- Notes:
- (1) Single fare concept, no special fares for students, senior citizens, or handicapped.
 - (2) Single fare concept, except children under 6 free if with fare paying passenger.
 - (3) Free service for blind and children under 6 with fare paying passenger.
 - (4) Fare structure revised August, 1976. Basic fare \$.35, student, senior citizens, handicapped remain at \$.15. Monthly passes for \$12.00 - \$15.00 regular passengers and \$3.00 monthly senior citizens passes now available.
 - (5) Commute books for \$12.00 - \$15.00 monthly, available on Trans-Bay route.
 - (6) Basic fare reduced September, 1972.
 - (7) Blind passengers free. Monthly passes: Senior Citizens \$4.00, monthly limited \$14.00, unlimited \$25.00, transfers \$.10.
 - (8) Fare structure revised 1973-1974. Eliminated multi-zone system. Transfer increased from \$.05 to \$.10.
 - (9) Student fare on Transbay Service of \$.25-\$.35 during peak and off-peak during school days only.

During the 1970's public pressure and the desire to attract ridership have helped to keep transit fares low. At the same time, however, the cost of alternative means of transportation has risen sharply. The California State Automobile Association reports that the average cost per mile for operating a standard size automobile has risen from 14.5 cents in 1969 to 18.3 cents in 1975. In most urban areas, parking costs would also have to be added. Thus the economic benefits to riding public transit are increasing.

While there are economic benefits to raising fares, there are also some disadvantages. Due to the elasticity of demand, as fares increase patronage decreases.^{1/} If patronage decreases, non-economic benefits such as reduced traffic congestion and reduced auto emissions are lost. Also, increased fares can present economic hardships for the poor and the elderly. Some transit systems which have found it necessary to raise fares have alleviated these disadvantages somewhat by charging higher fares only during peak use periods. Peak use periods occur during the commute hours, so those who have jobs and more ability to pay are the ones who pay the higher fares. During low use periods, riders are charged lower rates.

Charter service can also supply additional revenue to a transit system. Four of the seven systems we studied provided charter service. Merced Transit and South Coast Area Transit have elected not to provide

^{1/} In the San Francisco Bay Area it is estimated that patronage decreases 3 percent for each 10 percent increase in fares.

charter service and Southern California Rapid Transit District is prohibited by law from providing charter service. Four other transit districts in the State are prohibited from providing charter service.

Our sample systems which provide charter service generated between .3 and 10.9 percent of their gross operating revenue from charter service in fiscal year 1975-76. Southern California Rapid Transit District estimates that it could have generated between \$1.7 million and \$2.3 million in additional operating revenue before expenses during FY 1975-76 if it had been able to offer charter service.

Costs Incurred by Transit Systems
Have Increased Sharply

Expanded service, inflation and higher labor costs have caused rapid increases in transit operating expenses since 1970. Expansion of service and labor costs of existing transit systems has been particularly noticeable since California's Transportation Development Act (TDA) was effective in 1972. Also, Merced, Gold Country and South Coast Area Transit were started because TDA funds were available to finance the deficits.

All categories of costs have increased sharply for the systems we sampled (Appendices B through H). Table VI shows the FY 1975-76 costs for each of the operators we visited.

TABLE VI

OPERATING COSTS OF OPERATORS SAMPLED
FOR THE FISCAL YEAR ENDED JUNE 30, 1976

	SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT	A/C TRANSIT DISTRICT	SAN DIEGO TRANSIT CORPORATION	SACRAMENTO REGIONAL TRANSIT DISTRICT (7)	SOUTH COAST AREA TRANSIT	MERCED TRANSIT SYSTEM (6)	GOLD COUNTRY STAGE (6)
Operating Expenses:	\$ 84,483,000	\$ 28,216,695	\$ 13,123,837	\$ 5,392,007	\$ 578,302	\$ 78,583	
Transportation	25,320,000	5,017,349	3,064,727	1,366,599	207,915	11,371	32,356
Maintenance	11,197,000	2,772,371	2,418,657	1,633,405 (3)	201,780	25,183	20,241
Administrative and General	23,119,000 (1)	5,323,393	2,938,000	-0- (4)	-0-	-0-	21,784
Pension and Welfare	7,887,000	1,721,955	1,047,338	652,688	59,484	13,643	-0-
Depreciation and Amortization	11,598,000	1,386,047	649,675	427,872	59,662	6,852	7,109
Insurance	9,578,000	2,017,514	978,889	907,317	7,632	19,330	3,388
Other (2)							2,254
Total Operating Expenses	\$173,182,000	\$ 46,455,324	\$ 24,221,123	\$ 10,379,888	\$ 1,114,775	\$ 154,962	\$ 87,132

Notes:

- (1) Includes payroll taxes.
- (2) Includes expenses for traffic advertising, station, contracts, miscellaneous.
- (3) Planning services provided by SRAPC included in Administrative and General.
- (4) Pension and Welfare costs included in Administrative and General.
- (5) Pension and Welfare costs are allocated to Transportation and Administrative and General.
- (6) Merced Transit and Gold Country Stage are considered an integral part of their respective city and county accounting systems. Depreciation and overhead expenses were not included in total operating expenses for these systems. Therefore, we calculated depreciation expense on a straight line basis and applied an overhead rate considered appropriate by the City Finance Director and the County Auditor-Controller, respectively.
- (7) During fiscal year 1975/76 SRTD experienced a 46 day strike.

While much of these cost increases can be attributable to the expansions in service illustrated in Table I, other costs have also increased rapidly. For example, the price of fuel for buses has tripled from about 11 cents to 34 cents per gallon since 1971, and the cost of insurance and claims has increased between 72 and 313 percent during the same period. The impact of cost increases excluding service expansion can be seen by analyzing the cost per vehicle service hour shown in Table VII.

The costs incurred by transit systems may be divided into two major categories--controllable and uncontrollable. Costs which are generally uncontrollable are those incurred to purchase buses, fuel, spare parts, tires and other items which must be purchased on the economy. Controllable costs are generally those which are incurred as a result of an increase or decrease in service. To a certain degree, labor costs are also controllable since they are either subject to negotiation or set by the system's governing body.

TABLE VII

Operating Cost
Per Vehicle Service Hour

<u>Operators</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Southern California Rapid Transit District	\$ 15.57	\$ 17.85	\$ 19.58	\$ 22.26	\$ 26.92
Alameda - Contra Costa Transit District	\$ 14.11	\$ 15.22	\$ 18.33	\$ 22.32	\$ 23.15
San Diego Transit Corporation	--	\$ 20.86	\$ 22.53	\$ 26.59	\$ 27.88
Sacramento Regional Transit District	--	--	--	\$ 20.71	\$ 21.52
South Coast Area Transit	--	--	--	\$ 15.19	\$ 17.79
City of Merced Transit System	--	--	--	\$ 16.90	\$ 17.49
Gold Country Stage	--	--	--	--	\$ 15.72

The greatest opportunity to control costs lies in controlling service levels, since costs vary almost directly with the number of service hours provided. If service levels continue to expand, operating costs will also expand. Service levels are determined by management, Boards of Directors and elected officials. Therefore, they can be set arbitrarily at a level which best meets the fiscal and social needs of the community served. Some systems have established minimum levels of usage as a basis for deciding whether or not service will be provided.

For example, in the Southern California Rapid Transit District if a service line does not carry at least 20 passengers per bus hour, a mechanism is automatically triggered which requires immediate planning analysis by the SCRTD staff and recommendation to the Board of Directors regarding whether the line is to be retained at its present level, altered in an attempt to make it more productive, or eliminated altogether. The systemwide number of passengers per service hour ranged from 6.8 to 36.0 for the systems in the sample during FY 1975-76.

Labor costs represent between 40.4 and 83.7 percent of the operating expenses for the systems we visited. Therefore, any attempt to control operating expenses should include an attempt to control labor costs. Labor rates have risen sharply since 1972 as can be seen by comparing drivers' hourly wage rates in 1972 and 1976 (Table VIII).

TABLE VIII

DRIVERS HOURLY WAGE
AT JUNE 30, 1976, 1975, 1974, 1973 AND 1972

<u>Operator</u>	<u>6/30/76</u>	<u>6/30/75</u>	<u>6/30/74</u>	<u>6/30/73</u>	<u>6/30/72</u>
Southern California Rapid Transit District	\$7.07	\$6.10	\$5.62	\$5.10	\$4.83
A/C Transit District	\$7.07	\$6.85	\$5.49	\$5.20	\$4.93
San Diego Transit Corporation	\$7.91	\$7.405	\$6.34	\$5.53	\$5.28
Sacramento Regional Transit District	\$6.73	\$6.00	\$5.49	\$4.81	--
South Coast Area Transit	\$4.83 - \$6.16	\$4.86 - \$5.91	--	--	--
Merced Transit System	\$634/Mo.	\$560/Mo.	--	--	--
Gold Country Stage	\$3.81 - \$4.63	--	--	--	--

These 1976 wage rates can be compared to the hourly rate paid to Greyhound bus drivers in the eleven western states. These drivers receive the higher of \$6.38 per hour or 26 cents per mile. White collar wages have also increased rapidly. Between 1972 and 1976 wages for white collar employees increased approximately 40 percent at the three systems where we could make this computation.

Any improvements in either white collar or blue collar labor productivity could result in substantial cost savings to a transit system. Such improvements have not been apparent during the past six years and there are no real incentives for future productivity improvements. One method for providing incentives for productivity improvements has recently been implemented by New York-City's Metropolitan Transit Authority. The most recent labor contract limits wage increases above rises in the cost-of-living index, to increases in productivity. Thus, employees have a monetary incentive to be more productive.

Another method for improving the productivity of some of California's transit systems is the employment of part-time drivers. Urban transit systems normally have a base demand during most of their service hours and peak demands during commute hours. Therefore, driver workload varies during the hours of service. The advantage to employing part-time drivers is that they can be used during peak usage periods to supplement full-time drivers without a guarantee of a minimum eight hours work. Therefore, the system would only pay for the actual time the

driver is needed. Four of the five systems in the sample with labor contracts are prohibited from employing part-time drivers by the contracts. The contracts do allow a percentage of the drivers to work split-shifts; however, some drivers are being paid for time during which they are not really needed. We estimate that the Sacramento Regional Transit District could save at least \$230,000 in driver salaries annually if it were to employ part-time drivers.

Another potential way of improving productivity is to use larger buses on heavily traveled lines. Large buses allow the system to carry the same number of passengers with less manpower and equipment. Three of the transit systems in our sample have already purchased some larger buses and each believes that additional large buses would be cost beneficial. These systems cite financial constraints as the main reason they have not purchased more large buses.

CONCLUSIONS

Any attempt by transit systems to control costs or increase revenues must be measured against the potential disadvantages of such controls. If transit service levels are limited or fares are increased to minimize deficits, the social advantages of mobility for the transit dependent, reduced traffic congestion and improved environmental conditions may not be maximized. However, since transit systems are becoming a greater financial burden on all levels of government, the appropriate level of subsidy should be carefully considered. This is especially true since transit deficits are projected to increase sharply over the next five years.

If the Legislature determines that it is desirable to reduce or minimize transit deficits, the following steps could be taken:

- Require transit systems to recover a minimum percentage of operating expenses from operating revenues in order to be eligible for TDA funds. This would require that service levels and fares be established at levels which would ensure that the required percentage would be met.
- Require transportation planning agencies to identify and analyze potential productivity improvements which could

lower costs for each of the transit operators in its area prior to allocating TDA funds in excess of the previous year's level.

- Specify that after five years of operation TDA funds can only be used for up to a percentage of a transit system's operating expenses which is less than the existing maximum of 50 percent. Deficits larger than the established TDA maximum plus federal subsidies would have to be funded locally.
- Pass legislation which would allow all transit systems in the State to provide charter service within their service areas.

METHODS NEEDED TO MEASURE
PERFORMANCE OF PUBLIC TRANSIT
SYSTEMS

There is no system for routinely measuring the efficiency and effectiveness of California's transit systems. Therefore, legislators and citizens do not know if they are getting adequate service for the fares and subsidies they provide. In view of the increasingly large subsidies being provided to public transit systems, it is important that transit efficiency and effectiveness be continually evaluated.

While it would be difficult to establish specific efficiency and effectiveness requirements, it is possible to establish an evaluation system to measure transit performance. This evaluation system should include measurements of the transit operation's operating cost per vehicle service hour, vehicle service hours per employee, operating cost per passenger, passengers per vehicle service hour and passengers per vehicle service mile. These measures should be evaluated in conjunction with a periodic performance audit of each operator so that the impact of differences in system goals and operating characteristics can be considered.

Indicators of Transit System Performance

While there have been several attempts to develop a system for measuring the performance of transit systems, none has been widely accepted by the transit industry. Most of these attempts have been directed at identifying indicators, such as operating cost per mile and passenger miles per vehicle, which could be used to illustrate system

performance. Transit managers are generally critical of such indicators because they do not allow for differences in system goals and operating characteristics.

One of the most recent attempts to identify transit performance indicators has been by a panel of industry experts working in conjunction with the Federal Urban Mass Transportation Administration (UMTA). This panel has not yet concluded if indicators can be used to measure transit performance and if so, which would be the most valid measures. As part of its study, this panel has identified a tentative list of potential indicators (Appendix J). The list was compiled for discussion purposes only and is not endorsed by either UMTA or the panel.

As a starting point, we attempted to compute some of the indicators on the systems in our sample for fiscal years 1974-75 and 1975-76. However, much of the data necessary to compute all of the indicators was not available. Other indicators were not computed because they appeared to be of little value. Table IX illustrates the indicators we computed for the sample systems.

While all of these indicators may be useful to the managers at each individual system, many are not valid as comparatives between systems because of the different operating characteristics of the systems. For example, the operating cost per mile for San Diego Transit is higher than for Merced Transit partially because the average vehicle speed is 14.3 mph at San Diego and 18 mph at Merced. As a result, San Diego takes more hours than Merced to cover the same distance. This can be

TABLE IX
Performance Indicators (1)

Operating Revenue	Fiscal Year	Southern (2)		San Diego		South Coast		Alameda-(3)		Sacramento(4)		Merced		Gold Country	
		California Rapid Transit District	Transit Corporation	Area Transit	Coast Area Transit District	Transit District	Transit District	Transit District	Transit District	Transit District	Transit District	Transit System	Transit System	Country Stage	Country Stage
Per Vehicle Service Mile	1975/76	\$.61	\$.63	\$.36	\$.62	\$.36	\$.15	\$.36	\$.15	\$.36	\$.15	\$.15	\$.10		
	1974/75	.59	.64	.34	.61	.33	.13	.33	.13	.33	.13	.13	--		
Per Vehicle Service Hour	1975/76	\$ 8.68	\$ 9.03	\$ 5.24	\$ 9.09	\$ 5.16	\$ 2.70	\$ 5.16	\$ 2.70	\$ 5.16	\$ 2.70	\$ 2.30	\$ 1.73		
	1974/75	7.13	8.95	4.90	8.88	5.28	2.30	5.28	2.30	5.28	2.30	2.30	--		
Per Passenger	1975/76	\$.24	\$.27	\$.19	\$.31	\$.23	\$.23	\$.23	\$.23	\$.23	\$.23	\$.24	\$.25		
	1974/75	.23	.24	.20	.33	.22	.24	.22	.24	.22	.24	.24	--		
Per Employee	1975/76	\$ 7,573.00	\$ 8,342.00	\$ 7,134.00	\$ 8,994.00	\$ 4,658.00	\$ 2,912.00	\$ 4,658.00	\$ 2,912.00	\$ 4,658.00	\$ 2,912.00	\$ 2,380.00	\$ 3,200.00		
	1974/75	6,110.00	7,788.00	6,504.00	8,703.00	4,883.00	2,380.00	4,883.00	2,380.00	4,883.00	2,380.00	2,380.00	--		
Operating Cost															
Per Vehicle Service Mile	1975/76	\$ 1.88	\$ 1.95	\$ 1.23	\$ 1.59	\$ 1.51	\$.97	\$ 1.51	\$.97	\$ 1.51	\$.97	\$.97	\$.88		
	1974/75	1.85	1.89	1.05	1.54	1.30	.96	1.30	.96	1.30	.96	.96	--		
Per Vehicle Service Hour	1975/76	\$ 26.92	\$ 27.88	\$ 17.79	\$ 23.15	\$ 21.52	\$ 17.49	\$ 21.52	\$ 17.49	\$ 21.52	\$ 17.49	\$ 16.90	\$ 15.72		
	1974/75	22.26	26.59	15.19	22.32	20.71	16.90	20.71	16.90	20.71	16.90	16.90	--		
Per Passenger	1975/76	\$.75	\$.82	\$.64	\$.80	\$.94	\$ 1.49	\$.94	\$ 1.49	\$.94	\$ 1.49	\$ 1.74	\$ 2.30		
	1974/75	.71	.70	.62	.82	.84	1.74	.84	1.74	.84	1.74	1.74	--		
Per Employee	1975/76	\$23,482.00	\$25,740.00	\$24,234.00	\$22,896.00	\$19,438.00	\$18,898.00	\$19,438.00	\$18,898.00	\$19,438.00	\$18,898.00	\$17,478.00	\$29,044.00		
	1974/75	19,071.00	23,131.00	20,160.00	21,883.00	19,141.00	17,478.00	19,141.00	17,478.00	19,141.00	17,478.00	17,478.00	--		
Passengers															
Per Vehicle Service Mile	1975/76	2.5	2.4	1.9	2.0	1.6	.7	1.6	.7	1.6	.7	.7	.4		
	1974/75	2.6	2.7	1.7	1.9	1.6	.5	1.6	.5	1.6	.5	.5	--		
Per Vehicle Service Hour	1975/76	36.0	33.8	27.7	29.0	22.8	11.8	22.8	11.8	22.8	11.8	9.7	6.8		
	1974/75	31.5	38.0	24.6	27.2	24.7	9.7	24.7	9.7	24.7	9.7	9.7	--		
Per Employee	1975/76	31,417	31,213	37,759	28,694	20,622	12,696	20,622	12,696	20,622	12,696	12,624	12,624		
	1974/75	27,014	33,031	32,689	26,659	22,814	10,042	22,814	10,042	22,814	10,042	10,042	--		
Vehicle Service Hours Per Employee	1975/76	872.3	923.3	1,362.4	988.9	903.1	1,080.2	903.1	1,080.2	903.1	1,080.2	1,848	1,848		
	1974/75	856.7	869.8	1,327.6	980.3	924.2	1,034.4	924.2	1,034.4	924.2	1,034.4	--	--		
Vehicle Service Miles Per Employee	1975/76	12,493	13,168	19,714	14,422	12,871	19,445	12,871	19,445	12,871	19,445	33,028	33,028		
	1974/75	10,302	12,263	19,197	14,175	14,718	18,280	14,718	18,280	14,718	18,280	--	--		
Average Vehicle Speed	1975/76	14.3	14.3	14.5	14.6	14.3	18.0	14.3	18.0	14.3	18.0	17.7	17.9		
	1974/75	12.0	14.1	14.5	14.5	16.0	17.7	16.0	17.7	16.0	17.7	--	--		

Notes: (1) These indicators were computed from data supplied by the operators. Adjustments were made to make the data as comparable as possible. Refer to Appendix A for definitions of the variables used in computing the indicators.
(2) During fiscal year 1974/75 SRTD experienced a 68 day strike.
(3) During fiscal year 1974/75 A/C Transit experienced a 61 day strike.
(4) During fiscal year 1975/76 SRTD experienced a 46 day strike.

attributed to much higher factors of population density and traffic congestion in the San Diego service area than in the Merced service area. The same comparative problems would be true of any indicator which had mileage as one of the variables in the computation.

There are other indicators which would be appropriate but costly to compute. For example, we were unable to compute any indicators which contained passenger miles or passenger hours traveled as one of the variables. While these data would be useful to managers in planning service, they are very difficult to obtain. It would require measuring the trip time and length for each passenger, or conducting an expensive sample of riders on a regular basis.

Our study of potential indicators was aimed at identifying those indicators which would be relatively free of bias, inexpensive to compute and easy to understand. To do this, we separately evaluated those indicators which could be used to measure efficiency and effectiveness. Those indicators we selected for further evaluation are operating cost per vehicle service hour, vehicle service hours per employee, operating cost per passenger, passengers per vehicle service hour and passengers per vehicle service mile. Appendix A illustrates how these indicators should be computed.

Efficiency and Effectiveness Measures

The efficiency of a transit system is the measure of resources consumed to provide a certain level of service. Resources consumed in providing transit service are labor, fuel and equipment--input. The level of service can be expressed in terms of vehicle service hours or miles. Since transit systems are labor intensive and labor is compensated on an hourly basis, resources consumed fluctuate more proportionally with vehicle service hours than with service miles. Therefore, we have selected vehicle service hours to measure level of service--output.

Resources consumed can be quantified in terms of dollars spent to acquire those resources--operating costs. Thus, operating cost per vehicle service hour would be a measure of resources consumed to provide one unit of service. The higher the operating cost per vehicle service hour, the greater the amount of resources required to provide a unit of service.

Since transit systems are highly labor intensive, efficient use of manpower is a prerequisite for efficient system operation. Vehicle service hours per employee can measure the productivity of the labor force. The higher the number of vehicle service hours per employee the higher the productivity.

Both operating cost per vehicle service hour and vehicle service hours per employee are easy to compute and easy to understand. They are also relatively free from bias because they should not fluctuate significantly with the level of service provided or the operating characteristics of the system.

The effectiveness of a transit system is the measure of how well the system meets the needs of the residents of the area it serves. The needs of residents can be expressed in controllable variables such as routes, schedules, stops and comfort. The measure of how well a system meets these needs can be determined by the number of passengers who use the system.

Since the level of service can be quantified in terms of vehicle service hours or miles, one method of measuring the effectiveness of the system in attracting passengers would be passengers per vehicle service hour or mile. These indicators would illustrate the success a system has in attracting passengers for each unit of service provided. Systems with higher rates of patronage per unit of service are more effective than systems with lower patronage. While systems which operate in more densely populated areas can be expected to attract more passengers than systems with the same level of service in areas less densely populated, it may be appropriate to adjust the level of service accordingly.

One additional measure which may be useful to managers and legislators is operating cost per passenger. This indicator provides elements of efficiency and effectiveness so it can not conceptually stand alone as an efficiency or an effectiveness measure. While this indicator is subject to significant fluctuations because of differences in system operating characteristics, it can be useful because it illustrates the cost of providing service for each passenger. As the operating cost per passenger increases, the justification for providing that level of service should be more carefully examined.

Table X illustrates the computations of the indicators discussed above for each of the sample systems between fiscal year 1971-72 and 1975-76.

TABLE X

Performance Indicators (1)

Service Efficiency	Fiscal Year	Southern California Rapid Transit District (2)		San Diego Transit Corporation		South Coast Area Transit		Alameda-Contra Costa Transit District (3)		Sacramento Regional Transit District (4)		Merced Transit System		Gold Country Stage	
		1975/76	1974/75	1973/74	1972/73	1971/72	1975/76	1974/75	1973/74	1972/73	1971/72	1975/76	1974/75	1973/74	1972/73
Operating Cost Per Vehicle Service Hour	1975/76	\$26.92	\$27.88	\$17.79	\$23.15	\$21.52	\$17.49	\$15.72							
	1974/75	22.26	26.59	15.19	22.32	20.71	16.90								
	1973/74	19.58	22.53	--	18.33	15.90	--								
	1972/73	17.84	20.86	--	15.22	--	--								
	1971/72	15.57	--	--	14.11	--	--								
Operating Cost Per Passenger	1975/76	\$.75	\$.82	\$.64	\$.80	\$.94	\$ 1.49	\$ 2.30							
	1974/75	.71	.70	.62	.82	.84	1.74								
	1973/74	.58	.58	--	.62	.74	--								
	1972/73	.56	.62	--	.54	--	--								
	1971/72	.49	.67	--	.49	--	--								
Vehicle Service Hours Per Employee	1975/76	872.3	923.3	1362.4	988.9	903.1	1080.2	1848							
	1974/75	856.7	869.8	1327.6	980.3	924.2	1034.4								
	1973/74	961.2	901.7	--	1006.0	--	--								
	1972/73	960.3	881.1	--	1012.3	--	--								
	1971/72	985.3	--	--	1026.1	--	--								
Effectiveness Passengers Per Vehicle Service Mile	1975/76	2.5	2.4	1.9	2.0	1.6	.7	.4							
	1974/75	2.6	2.7	1.7	1.9	1.6	.5								
	1973/74	2.6	2.8	--	2.1	1.3	--								
	1972/73	2.5	2.4	--	2.0	--	--								
	1971/72	2.5	2.0	--	2.0	--	--								
Passengers Per Vehicle Service Hour	1975/76	36.0	33.8	27.7	29.0	22.8	11.8	6.8							
	1974/75	31.5	38.0	24.6	27.2	24.7	9.7								
	1973/74	33.9	39.0	--	29.7	21.6	--								
	1972/73	32.0	33.8	--	28.2	--	--								
	1971/72	32.0	--	--	29.0	--	--								

Notes: (1) These indicators were computed from data supplied by the operators. Adjustments were made to make the data as comparable as possible. Refer to Appendix A for definitions of the variables used in computing the indicators.

(2) During fiscal year 1974/75 S CRTD experienced a 68 day strike.

(3) During fiscal year 1974/75 A/C Transit experienced a 61 day strike.

(4) During fiscal year 1975/76 SRTD experienced a 46 day strike.

As the table illustrates, there are significant variations among transit systems for each of the indicators. These fluctuations can be caused by varying degrees of efficiency and effectiveness among the systems. They can also be caused by variables such as labor rates, size of buses and population density of the service area. For example, Gold Country Stage does not carry as many passengers per hour as Southern California Rapid Transit District at least partially because it uses smaller buses and operates in a less densely populated area.

Individual Performance Audits

An alternative method for measuring the efficiency and effectiveness of a system is an individual performance audit. Existing law requires that each transit system receiving TDA funds must submit to an annual performance audit. None of the seven systems we visited, however, had ever had a performance audit.^{1/}

Individual performance audits are a method of measuring the efficiency and effectiveness of a transit system. They also provide sufficient flexibility to recognize the differences in operating characteristics of each system. For example, systems which operate in mountainous or densely populated areas may have higher operating costs per vehicle service hour. These costs may be justified, however, because operating in congested or mountainous areas may result in higher fuel and maintenance costs. Individual performance audits can provide a method to evaluate the reasonableness of each of the elements which contribute to the performance of a transit system.

^{1/} Performance audits are discussed in more detail beginning on page 43.

Financial and Management
Data Not Comparable

Transit systems in California use various policies and procedures to account for revenues and expenses. Because there are substantial differences between these policies and procedures, the financial performance of a transit operator using one accounting system cannot be validly compared with the performance of an operator using a different system. For example, Alameda-Contra Costa Transit is an independent entity and accounts for all expenses incurred in operating the system; however, Merced Transit is municipally owned and expenses such as depreciation, rent, utilities and administrative services are absorbed by the City. Thus Merced Transit's reported operating costs are lower than its actual costs.

Nonfinancial data also lack comparability because transit systems use different methods of counting variables, such as passengers, vehicle miles and vehicle hours. For example, San Diego Transit does not include transfer passengers in its passenger count, but Sacramento Transit counts a passenger each time he boards a new bus, even if he transfers from another line. Sacramento's method for counting passengers will result in a higher total than San Diego's method for the same number of passengers.

The transit industry and the Urban Mass Transportation Administration (UMTA) recognize that financial and management data are not comparable among transit systems. To alleviate this problem, they have worked with the accounting firm of Arthur Andersen and Company

since 1972 to develop a uniform accounting and reporting system for the industry. This effort was called Project FARE (Uniform Financial Accounting and Reporting Elements). As a result of Project FARE, UMTA is requiring all transit systems receiving federal subsidies to convert to a uniform accounting and reporting system during 1978. This new system should provide more reliable and comparable data to use as a basis for measuring transit efficiency and effectiveness.

CONCLUSION

There are at least two methods to measure the efficiency and effectiveness of a transit system. One is through the analysis of performance indicators based on available financial and management information. The other is through individual performance audits or evaluations of each system. Since the transit industry has not adopted performance indicators and performance audits are not done, no evaluation system has been implemented.

Performance indicators can give some indication of a system's performance; however, because of the different operating characteristics among systems, they cannot always stand alone. Individual performance audits can provide a flexible means of evaluating the economy, efficiency and effectiveness of the transit system. An evaluation system which combines

performance indicators and individual performance audits should provide legislators, citizens, and transit managers with specific indicators of each system's performance and an evaluation of how the system's efficiency and effectiveness affected the indicators.

RECOMMENDATIONS

We recommend that the Legislature enact legislation which would:

- Require transit systems receiving TDA funds to annually submit the computations of their operating cost per vehicle service hour, vehicle service hours per employee, passengers per vehicle service hour, passengers per vehicle service mile and operating cost per passenger to their regional transportation planning agency and the California Department of Transportation
- Direct that a report of the results of the required performance audits be submitted to the regional transportation planning agency and the California Department of Transportation with the performance indicators
- Require that the performance audits specifically comment on the efficiency and effectiveness of the operational components which affected the performance indicators.

ADVISORY COMMITTEE RECOMMENDATION

The Advisory Committee recommended that we include revenue per mile, revenue per hour, cost per mile and revenue miles per employee in our list of recommended performance indicators. We elected not to accept their recommendation. Revenue per mile and revenue per hour are not measures of performance. They are largely dependent upon fare rates which are set arbitrarily. We also believe that cost per mile and revenue miles per employee are subject to too much bias because of differences in average vehicle speed.

IMPROVEMENTS NEEDED IN REQUIREMENTS FOR
FISCAL AND PERFORMANCE AUDITS OF TRANSIT SYSTEMS

The fiscal and performance audits required of TDA expenditures could be improved to more accurately disclose how these funds are spent. The fiscal audit requirements do not cover all TDA recipients and do not require certification that expenditures were in compliance with applicable laws and regulations. Therefore, there is no assurance that all expenditures are appropriate and accurately disclosed. Performance audits are only required on operators. They are not required on the boards, commissions, and transportation planning agencies which help plan and manage the use of TDA funds. Therefore, the efficiency and effectiveness of these organizations are not evaluated under the current requirements.

Five of the seven transit systems in our sample complied with the existing fiscal audit requirements; however, none of these systems complied with the performance audit requirements. The regional transportation planning agencies are responsible for ensuring that required audits are completed.

Standards for Audit of
Governmental Organizations,
Programs, Activities and Functions

The Comptroller General of the United States has published "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions." These standards were developed with the assistance of government officials, professional associations and professional auditors nationwide.

The standards identify and define what should be the three major elements of a government audit as follows:

1. Financial and compliance--determines (a) whether financial operations are properly conducted, (b) whether the financial reports of an audited entity are presented fairly, and (c) whether the entity has complied with applicable laws and regulations.
2. Economy and efficiency--determines whether the entity is managing or utilizing its resources (personnel, property, space, and so forth) in an economical and efficient manner and the causes of any inefficiencies or uneconomical practices, including inadequacies in management information systems, administrative procedures, or organizational structure.
3. Program results--determines whether the desired results or benefits are being achieved, whether the objectives established by the legislature or other authorizing body are being met, and whether the agency has considered alternatives which might yield desired results at a lower cost.

Guidelines to implement these standards are explained throughout the publication and recently issued supplements.

Audits of transit systems conducted under these standards can give an objective evaluation of a system's fiscal and management performance. The fiscal and management audit criteria specified by the Transportation Development Act and the rules and regulations specified by the Secretary of Business and Transportation Agency do not encompass all of the elements proposed by the Comptroller General's standards.

Fiscal Audit Requirements
Should Be Expanded

Sections 1637 and 1662 of Title 21 of the California Administrative Code require annual fiscal audits of transit operators and transportation planning agencies. While the Transportation Development Act also provides funds to various counties, cities, transportation commissions and transit development boards, these funds are not always subjected to fiscal audits. Chapter 1348 of the Statutes of 1976 gave the Secretary of Business and Transportation the authority to adopt rules and regulations for audits of all expenditures of TDA funds, except funds for local streets and roads, and pedestrian and bicycle facilities.

Current fiscal audit requirements in the California Administrative Code specify that the audits are to be conducted by the county auditor, a certified public accountant or a public accountant. Also, the minimum requirements specify that the audit shall be in accordance with the Basic Audit Program and Reporting Guidelines for California Special Districts prescribed by the State Controller pursuant to Section 26909 of the Government Code. These audit requirements do not specify that the audit must verify whether the operator or transportation planning agency has spent its funds in compliance with applicable laws and regulations.

There have been at least seven instances in which TDA funds may have been allocated for purposes not intended by the Legislature or used for purposes other than for what they were allocated. For example, according to the Southern California Association of Governments, the City of Gardena spent about \$800,000 in TDA funds for unauthorized purposes since FY 1972-73. In another instance the North San Diego County Transit System asked for and received \$100,000 in TDA funds to defray "administrative and legal expenses." According to CPO, the regional transportation agency, at least a portion of these funds may have been used to purchase vehicles.

Performance Audits of Transit
System are Needed

Sections 1660 and 1661 of Title 21 of the California Administrative Code require annual performance audits of all transit operators receiving monies from the local transportation fund. These audits are to include an evaluation of at least the criteria set forth in Section 1660 (Exhibit I).

None of the seven operators in our sample had ever received a performance audit, and according to the California Department of Transportation, no operator in the State has ever received one. The operators and transportation planning agencies in our sample gave two reasons why they have not complied with the performance audit requirement. First, they are not sure how a performance audit should be done. Second, they are not sure where the funds to do the audit should

come from. San Diego's Comprehensive Planning Organization and the San Francisco Bay Area's Metropolitan Transportation Commission are both working on guidelines to use in complying with the performance audit requirement.

The criteria specified in the Administrative Code for use in performance audits are broad. They do not ensure a complete evaluation of an operator's economy, efficiency and effectiveness as specified by the Comptroller General's standards. For example, while the criteria require the performance audits to evaluate if "...The operator's services are being conducted in an efficient manner;..." they do not specify the variables which should be considered in an efficiency evaluation. The Comptroller General's standards give a more detailed description of how efficiency should be reviewed.

The current performance audit requirements apply only to operators and not to transportation planning agencies, commissions and boards involved in planning and managing a transit system. While these entities have an integral role in the performance of a transit system, there is no review of their efficiency and effectiveness. For example, there is no requirement to evaluate the adequacy of plans developed by a transportation planning agency even though these plans could significantly impact the efficiency and effectiveness of the system.

CONCLUSIONS

The current fiscal audit requirements of TDA funds could be improved to more accurately disclose how these funds are spent. These requirements should be expanded to include all TDA funds spent and to require verification that expenditures complied with applicable laws and regulations.

Performance audit requirements could be improved by expanding them to include all entities involved in planning and managing a transit system and specifying that they be performed in accordance with the Comptroller General's standards. It is also questionable that these audits should be required every year, especially for the smaller systems.

RECOMMENDATIONS

We recommend that the Legislature:

- Specify that fiscal audits be required of all expenditures of TDA funds
- Require that fiscal audits be expanded to include a certification that TDA expenditures were made in compliance with applicable laws and regulations
- Require that performance audits be expanded to include the transit related activities of all entities involved in planning and managing a transit system

- Specify that the performance audits of transit systems be performed in accordance with the Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities and Functions"
- Require transportation planning agencies to allocate sufficient TDA funds to pay for required performance audits
- Change the requirement that performance audits be done annually to allow that they be done at the discretion of the transportation planning agency, but at least every three years.

Respectfully submitted,



John H. Williams
Auditor General

January 21, 1977

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DEFINITIONS OF PERFORMANCE INDICATORS^{1/}

I. OPERATING COST PER VEHICLE SERVICE HOUR:

Annual operating expense divided by total vehicle service hours. Operating expense is defined as the sum of employee wages and fringe benefits, costs of supplies and materials, depreciation and pension costs, and all costs associated with the operation, maintenance, and administration of transit service. Vehicle service hours are defined as those hours of service the bus is accessible to passengers.

II. OPERATING COST PER PASSENGER:

Annual operating expense divided by total passengers. Total passengers are defined as passengers, revenue and nonrevenue, exclusive of transfers.

III. VEHICLE SERVICE HOURS PER EMPLOYEE:

Total vehicle service hours divided by transit property employees. Employees are expressed in terms of person-years and defined as total paid hours divided by 2080 hours. (Based on a 40 hour work-week, 52 week year.) Employee counts should include manpower provided by organizations other than the transit system.

^{1/} See discussion beginning on page 31.

X. OPERATING COST PER VEHICLE SERVICE MILE:

Annual operating expense divided by total vehicle service miles.

XI. OPERATING COST PER EMPLOYEE:

Annual operating expense divided by transit property employees. Employees are expressed in terms of person-years.

XII. VEHICLE SERVICE MILES PER EMPLOYEE:

Total vehicle service miles divided by transit property employees. Employees are expressed in terms of person-years.

XIII. PASSENGERS PER EMPLOYEE:

Total annual passengers divided by transit property employees. Employees are expressed in terms of person-years.

XIV. AVERAGE VEHICLE SPEED:

Annual vehicle service miles divided by annual vehicle service hours.

Note: Passenger counts in these indicators should be computed by counting boarding passengers, revenue and nonrevenue exclusive of transfers. Passenger trip time and length should not be considered.

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
COMPARATIVE INCOME STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 1976, 1975, 1974, 1973 AND 1972

	<u>1975/76</u>	<u>1974/75 (7)</u>	<u>1973/74</u>	<u>1972/73</u>	<u>1971/72 (6)</u>
Operating Revenue					
Passenger Fare	\$ 53,596,000	\$ 34,459,000	\$ 48,100,000	\$ 47,419,000	\$ 47,006,000
Other	<u>2,253,000</u>	<u>2,022,000</u>	<u>1,416,000</u>	<u>919,000</u>	<u>1,417,000</u>
Total Operating Revenue	<u>55,849,000</u>	<u>36,481,000</u>	<u>49,516,000</u>	<u>48,338,000</u>	<u>48,423,000</u>
Operating Expenses					
Transportation	84,483,000	55,362,000	47,052,000	38,828,000	33,483,000
Maintenance	25,320,000	16,089,000	13,391,000	11,956,000	10,536,000
Administrative & General	11,197,000	7,631,000	5,249,000	3,951,000	3,294,000
Pension and Welfare (1)	23,119,000	16,300,000	13,148,000	10,950,000	8,415,000
Depreciation & Amortization	7,887,000	5,554,000	4,226,000	3,060,000	2,916,000
Insurance	11,598,000	6,781,000	5,494,000	5,015,000	4,636,000
Other (2)	<u>9,578,000</u>	<u>6,155,000</u>	<u>4,777,000</u>	<u>3,887,000</u>	<u>3,944,000</u>
Total Operating Expense	<u>173,182,000</u>	<u>113,872,000</u>	<u>93,337,000</u>	<u>77,647,000</u>	<u>67,224,000</u>
Operating Income (Loss) Before Other Income	<u>(117,333,000)</u>	<u>(77,391,000)</u>	<u>(43,821,000)</u>	<u>(29,309,000)</u>	<u>(18,801,000)</u>
Other Income and (Expenses) (3)	<u>(789,000)</u>	<u>183,000</u>	<u>818,000</u>	<u>(704,000)</u>	<u>(878,000)</u>
Income (Loss) Before Subsidies	<u>(118,122,000)</u>	<u>(77,208,000)</u>	<u>(43,003,000)</u>	<u>(30,013,000)</u>	<u>(19,679,000)</u>
Subsidies					
Federal Section 5					
Operating Subsidies	28,506,000	16,500,000	-0-	-0-	-0-
Transportation Development Act	59,904,000	51,919,000	41,172,000	32,027,000	6,862,000
City and County Subsidies (4)	<u>21,772,000</u>	<u>13,639,000</u>	<u>5,830,000(5)</u>	<u>727,000</u>	<u>-0-</u>
Total Subsidies	<u>110,182,000</u>	<u>82,058,000</u>	<u>47,002,000(5)</u>	<u>32,754,000</u>	<u>6,862,000</u>
Net Income (Loss)	<u>\$(7,940,000)</u>	<u>\$ 4,850,000</u>	<u>\$ 3,999,000(5)</u>	<u>\$ 2,741,000</u>	<u>\$(12,817,000)</u>

Notes:

- (1) Includes Payroll Taxes.
- (2) Includes the following: Traffic, Advertising, Station, Miscellaneous, Contract, Grants.
- (3) Includes Interest Income and Expense.
- (4) Los Angeles County Contract With SCRTD and other subsidies.
- (5) Special grants per 1974/75 comparative financial statements.
- (6) SCRTD converted to fiscal year basis beginning with six month period ending June 30, 1972. Therefore, this data is a summation of one-half of the 1971 calendar year and the first 6 months of 1972.
- (7) During fiscal year 1974/75 SCRTD experienced a 68 day strike.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
COMPARATIVE INCOME STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 1976, 1975, 1974, 1973 AND 1972

	<u>1975/76</u>	<u>1974/75 (1)</u>	<u>1973/74</u>	<u>1972/73</u>	<u>1971/72</u>
Operating Revenue					
Passenger Fare	\$ 15,393,568	\$ 12,529,290	\$ 16,349,694	\$ 15,068,502	\$ 15,020,949
Contract Service	1,882,068	1,251,874	226,209	-	-
Charter	654,589	567,307	686,070	618,932	654,145
Advertising	248,081	180,982	184,373	227,952	216,390
Other	71,494	161,591	50,981	195,926	17,534
Total Operating Revenue	<u>18,249,800</u>	<u>14,691,044</u>	<u>17,497,327</u>	<u>16,111,312</u>	<u>15,909,018</u>
Operating Expenses					
Transportation	28,216,695	22,135,097	21,367,405	16,878,442	15,325,168
Maintenance	5,017,349	3,866,490	3,851,314	3,255,149	3,085,607
Administrative and General	2,772,371	2,120,264	1,674,371	1,327,520	1,225,925
Welfare and Pension	5,323,393	3,761,871	3,069,009	2,204,330	1,853,871
Depreciation and Amortization	1,721,955	1,759,024	1,599,801	1,456,366	1,313,833
Insurance	1,386,047	1,555,694	1,203,417	1,015,730	804,451
Other	2,017,514	1,739,711	1,612,947	1,242,568	1,036,492
Total Operating Expense	<u>46,455,324</u>	<u>36,938,151</u>	<u>34,378,264</u>	<u>27,380,105</u>	<u>24,645,347</u>
Operating Income (Loss) Before Other Income	<u>(28,205,524)</u>	<u>(22,247,107)</u>	<u>(16,880,937)</u>	<u>(11,268,793)</u>	<u>(8,736,329)</u>
Other Income and (Expenses)	<u>(840,957)</u>	<u>(653,514)</u>	<u>(522,571)</u>	<u>(741,150)</u>	<u>(776,706)</u>
Income (Loss) Before Subsidies	<u>(29,046,481)</u>	<u>(22,900,621)</u>	<u>(17,403,508)</u>	<u>(12,009,943)</u>	<u>(9,513,035)</u>
Subsidies					
Federal Section 5					
Operating Subsidies	5,957,228	977,338	-	-	-
Transportation Development Act	6,873,111	6,216,702	4,434,974	3,417,185	-
City and County Subsidies	-	-	-	-	-
Property Taxes	19,379,916	17,062,765	9,855,999	9,315,497	8,800,167
Total Subsidies	<u>32,210,255</u>	<u>24,256,805</u>	<u>14,290,973</u>	<u>12,732,682</u>	<u>8,800,167</u>
Net Income (Loss)	<u>\$ 3,163,774</u>	<u>\$ 1,356,184</u>	<u>\$ (3,112,535)</u>	<u>\$ 722,739</u>	<u>\$ (712,868)</u>

Notes: (1) During fiscal year 1974/75 A/C Transit experienced a 61 day strike.

SAN DIEGO TRANSIT CORPORATION
COMPARATIVE INCOME STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 1976, 1975, 1974, 1973 AND 1972

	1975/76	1974/75	1973/74	1972/73	1971/72
Operating Revenue	\$ 7,793,339	\$ 6,370,606	\$ 5,728,459	\$ 4,642,071	\$ 4,937,983
Passenger Fare	27,301	104,128	229,057	321,266	342,819
Charter	29,309	51,436	59,937	49,873	59,602
Advertising					
Total Operating Revenue	<u>7,849,949</u>	<u>6,526,170</u>	<u>6,017,453</u>	<u>5,013,210</u>	<u>5,340,404</u>
Operating Expenses					
Transportation	13,123,837	10,404,541	7,671,309	6,240,183	4,796,094
Maintenance	3,064,727	2,348,453	1,491,621	1,168,866	1,011,501
Administrative and General	2,418,657	1,916,255	1,579,179	1,087,040	691,024
Welfare and Pension	2,938,000	2,672,000	2,035,000	1,733,000	1,176,000
Depreciation and Amortization	1,047,338	831,580	558,946	555,887	483,676
Insurance	649,675	359,857	208,361	177,913	157,305
Other	978,889	851,015	633,959	470,872	467,704
Total Operating Expense	<u>24,221,123</u>	<u>19,383,701</u>	<u>14,178,375</u>	<u>11,433,761</u>	<u>8,783,304</u>
Operating Income (Loss) Before Other Income	<u>(16,371,174)</u>	<u>(12,857,531)</u>	<u>(8,160,922)</u>	<u>(6,420,551)</u>	<u>(3,442,900)</u>
Other Income and (Expenses)	<u>59,145</u>	<u>204,881</u>	<u>169,738</u>	<u>(285,252)</u>	<u>23,422</u>
Income (Loss) Before Subsidies	<u>(16,312,029)</u>	<u>(12,652,650)</u>	<u>(7,991,184)</u>	<u>(6,705,803)</u>	<u>(3,419,478)</u>
Subsidies					
Federal Section 5					
Operating Subsidies	5,075,895	-0-	-0-	-0-	-0-
Transportation Development Act	7,286,582	4,952,865	4,561,939	3,491,264	-0-
City Subsidies	1,548,056	3,653,703	1,924,506	1,141,642	1,107,229
Other	20,847	20,847	20,847	20,847	104,228
Total Subsidies	<u>13,931,380</u>	<u>8,627,415</u>	<u>6,507,292</u>	<u>4,653,753</u>	<u>1,211,457</u>
Net Income (Loss)	<u>\$ (2,380,649)</u>	<u>\$ (4,025,235)</u>	<u>\$ (1,483,892)</u>	<u>\$ (2,052,050)</u>	<u>\$ (2,208,021)</u>

SACRAMENTO REGIONAL TRANSIT DISTRICT
COMPARATIVE INCOME STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 1976, 1975 AND 1974

	<u>1975/76(3)</u>	<u>1974/75</u>	<u>1973/74</u>
Operating Revenue			
Passenger Fare	\$ 2,154,095	\$ 2,268,891	\$ 1,901,563
Special Bus	271,346	135,011	242,782
Advertising	<u>60,923</u>	<u>32,507</u>	<u>16,829</u>
Total Operating Revenue	<u>2,486,364</u>	<u>2,436,409</u>	<u>2,161,174</u>
Operating Expenses			
Transportation	5,392,007	5,180,842	3,752,050
Maintenance	1,366,599	1,264,753	882,619
Administrative and General (2)	1,633,405	1,435,155	963,181
Welfare and Pension (1)	-0-	-0-	-0-
Depreciation and Amortization	652,688	304,460	277,609
Insurance	427,872	307,224	172,141
Other	<u>907,317</u>	<u>1,058,742</u>	<u>921,537</u>
Total Operating Expense	<u>10,379,888</u>	<u>9,551,176</u>	<u>6,969,137</u>
Operating Income (Loss) Before Other Income	<u>(7,893,524)</u>	<u>(7,114,767)</u>	<u>(4,807,963)</u>
Other Income and (Expenses)	<u>54,557</u>	<u>196,437</u>	<u>141,915</u>
Income (Loss) Before Subsidies	<u>(7,838,967)</u>	<u>(6,918,330)</u>	<u>(4,666,048)</u>
Subsidies			
Federal Section 5			
Operating Subsidies	1,714,661	451,609	-0-
Transportation Development Act	6,041,297	6,026,092	4,928,618
City and County Subsidies	916,271	916,271	910,129
Other	-0-	-0-	-0-
Total Subsidies	<u>8,672,229</u>	<u>7,393,972</u>	<u>5,838,747</u>
Net Income (Loss)	<u>\$ 833,262</u>	<u>\$ 475,642</u>	<u>\$ 1,172,699</u>

Notes: (1) Pension and Welfare costs are included in Administrative and General.
(2) Planning Service provided by SRAPC included in Administrative and General.

SOUTH COAST AREA TRANSIT
COMPARATIVE INCOME STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 1976, 1975 and 1974

	<u>1975/76</u>	<u>1974/75</u>	<u>1973/74</u>
Operating Revenue			
Passenger Fare	\$ 319,158	\$ 289,436	\$ 182,109
Other	<u>9,001</u>	<u>16,261</u>	<u>5,385</u>
Total Operating Revenue	<u>328,159</u>	<u>305,697</u>	<u>187,494</u>
Operating Expenses			
Transportation	578,302	521,831	240,679
Maintenance	207,915	146,089	101,630
Administrative and General	201,780	169,458	97,066
Welfare and Pension(1)	-0-	-0-	-0-
Depreciation and Amortization	59,484	58,816	31,257
Insurance	59,662	35,409	38,568
Other	<u>7,632</u>	<u>15,906</u>	<u>12,787</u>
Total Operating Expense	<u>1,114,775</u>	<u>947,509</u>	<u>521,987</u>
Operating Income (Loss) Before Other Income	<u>(786,616)</u>	<u>(641,812)</u>	<u>(334,493)</u>
Other Income and (Expenses)	<u>25,465</u>	<u>12,126</u>	<u>5,723</u>
Income (Loss) Before Subsidies Subsidies	<u>(761,151)</u>	<u>(629,686)</u>	<u>(328,770)</u>
Transportation Development Act	<u>1,192,981</u>	<u>733,609</u>	<u>518,558</u>
Total Subsidies	<u>1,192,981</u>	<u>733,609</u>	<u>518,558</u>
Net Income (Loss)	<u>\$ 431,830</u>	<u>\$ 103,923</u>	<u>\$ 189,788</u>

Notes: (1) Pension and Welfare costs are allocated to Transportation and Administrative and General.

CITY OF MERCED TRANSIT SYSTEM (1)
COMPARATIVE INCOME STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 1976 AND 1975

	<u>1975/76</u>	<u>1974/75</u>
Operating Revenue		
Passenger Fare	\$ 23,879	\$ 18,565
	<u>23,879</u>	<u>18,565</u>
Total Operating Revenue		
Operating Expenses		
Transportation	78,583	50,311
Maintenance	11,371	19,135
Administrative and General	25,183	19,725
Pension and Welfare (2)	-0-	-0-
Depreciation and Amortization	13,643	11,706
Insurance	6,852	1,632
Other	<u>19,330</u>	<u>33,820</u>
Total Operating Expenses	<u>154,962</u>	<u>136,329</u>
Operating Income (Loss) Before Other Income	<u>(131,083)</u>	<u>(117,764)</u>
Other Income and (Expenses)	<u>-0-</u>	<u>17,292</u>
Income (Loss) Before Subsidies	<u>(131,083)</u>	<u>(100,472)</u>
Subsidies		
Transportation Development Act	<u>136,918</u>	<u>85,641</u>
Total Subsidies	<u>136,918</u>	<u>85,641</u>
Net Income (Loss)	<u>\$ 5,835</u>	<u>\$ (14,831)</u>

Notes: (1) Merced Transit System and Gold Country Stage are considered an integral part of their respective city and county accounting systems. Depreciation and overhead expenses were not included in total operating expenses for these systems. Therefore, we calculated depreciation expense on a straight line basis and applied an overhead rate considered appropriate by the City Finance Director and the County Auditor-Controller, respectively.

(2) Pension and Welfare costs are allocated to Transportation and Administrative and General.

GOLD COUNTRY STAGE - GRASS VALLEY - NEVADA CITY (1)
 INCOME STATEMENT
 FOR THE FISCAL YEAR ENDED
 JUNE 30, 1976

	<u>1975/76</u>
Operating Revenue	
Passenger Fare	\$ 9,427
Charter	<u>173</u>
Total Operating Revenue	<u>9,600</u>
Operating Expenses	
Transportation	
Maintenance	32,356
Administrative and General	20,241
Pension and Welfare(2)	21,784
Depreciation and Amortization	-0-
Insurance	7,109
Other	3,388
Total Operating Expenses	<u>87,132</u>
Operating Income (Loss) Before Other Income	<u>(77,532)</u>
Other Income and (Expenses)	-0-
Income (Loss) Before Subsidies	<u>(77,532)</u>
Subsidies	
Transportation Development Act	<u>70,746</u>
Total Subsidies	<u>70,746</u>
Net Income (Loss)	<u><u>\$ (6,786)</u></u>

- Notes: (1) Merced Transit System and Gold Country Stage are considered an integral part of their respective city and county accounting systems. Depreciation and overhead expenses were not included in total operating expenses for these systems. Therefore, we calculated depreciation expense on a straight line basis and applied an overhead rate considered appropriate by the City Finance Director and the County Auditor-Controller, respectively.
- (2) Pension and Welfare costs are allocated to Transportation and Administrative and General.

PROJECTED UNFUNDED OPERATING DEFICITS
FOR FISCAL YEARS ENDED
JUNE 30, 1977, 1978, 1979, 1980 AND 1981

	SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT (2)	A/C TRANSIT DISTRICT	SAN DIEGO TRANSIT CORPORATION	SACRAMENTO REGIONAL TRANSIT DISTRICT
<u>1976 - 1977</u>				
Operating Revenues	\$ 72,280,000	\$ 16,888,000	\$ 8,424,000	\$ 2,649,600
Less: Operating Expenses	180,855,000	49,682,000	26,778,000	12,342,602
Operating (Deficit)	(108,575,000)	(32,794,000)	(18,354,000)	(9,693,002)
Non-Operating Revenue: (1)	114,015,000	30,610,000	18,354,000	9,289,336
Unfunded (Deficit)	\$ 5,440,000	\$ (2,184,000)	\$ -0-	\$ (403,666)
<u>1977 - 1978</u>				
Operating Revenues	\$ 87,240,000	\$ 17,165,000	\$ 10,084,000	\$ 3,025,600
Less: Operating Expenses	208,600,000	55,072,000	35,697,000	16,376,447
Operating (Deficit)	(121,360,000)	(37,907,000)	(25,613,000)	(13,350,847)
Non-Operating Revenue: (1)	112,825,000	32,186,000	19,347,000	9,978,887
Unfunded (Deficit)	\$ (8,535,000)	\$ (5,721,000)	\$ (6,266,000)	\$ (3,371,960)
<u>1978 - 1979</u>				
Operating Revenues	\$ 95,500,000	\$ 17,558,000	\$ 12,763,000	\$ 3,313,600
Less: Operating Expenses	227,700,000	61,000,000	40,237,000	19,103,846
Operating (Deficit)	(132,200,000)	(43,442,000)	(27,474,000)	(15,790,246)
Non-Operating Revenue: (1)	121,730,000	34,252,000	20,032,000	10,538,818
Unfunded (Deficit)	\$ (10,470,000)	\$ (9,190,000)	\$ (7,442,000)	\$ (5,251,428)
<u>1979 - 1980</u>				
Operating Revenues	\$ 104,000,000	\$ 18,095,000	\$ 13,503,000	\$ 3,471,600
Less: Operating Expenses	248,000,000	67,240,000	46,020,000	21,278,947
Operating (Deficit)	(144,000,000)	(49,145,000)	(32,517,000)	(17,807,347)
Non-Operating Revenue: (1)	131,150,000	36,272,000	20,609,000	11,054,440
Unfunded (Deficit)	\$ (12,850,000)	\$ (12,873,000)	\$ (11,908,000)	\$ (6,752,907)
<u>1980 - 1981</u>				
Operating Revenues	\$ 113,500,000	\$ 18,638,000	\$ 16,473,000	N/A
Less: Operating Expenses	270,500,000	74,124,000	50,584,000	N/A
Operating (Deficit)	(157,000,000)	(55,486,000)	(34,111,000)	N/A
Non-Operating Revenue: (1)	141,900,000	38,106,000	15,719,000	N/A
Unfunded (Deficit)	\$ (15,100,000)	\$ (17,380,000)	\$ (18,392,000)	N/A

Notes: (1) Non-operating income is net of non-operating expenses.
(2) Based on minimum expansion plan.

Potential Performance Indicators (1)Facilities and Equipment

Average Age of Fleet

Service Efficiency

Operating Revenues
 per vehicle
 per vehicle mile
 per vehicle hour
 per capacity mile
 per passenger
 per passenger mile
 per passenger hour
 per employee

Operating Expenses
 per vehicle
 per vehicle mile
 per vehicle hour
 per capacity mile
 per passenger
 per passenger mile
 per passenger hour
 per employee
 per operator hour

Vehicle Miles
 per vehicle
 per employee
 per operator

Vehicle Hours
 per vehicle
 per employee
 per operator

Fuel Consumption
 per vehicle mile
 per capacity mile
 per passenger mile

Employees per vehicle

Administration personnel per vehicle

Notes: (1) Developed for evaluation by Project F.A.R.E. Industry Control Board. The Industry Control Board is a panel of experts which advises the Federal Urban Mass Transit Administration. The list was developed for evaluation purposes only and has not been adopted by the Board.

Service Effectiveness

Passenger miles
per line mile
per vehicle
per capacity mile

Passengers
per line mile
per vehicle mile
per employee

Average unlinked passenger trip time
Average unlinked passenger trip distance
Average vehicle speed

Number of vehicles operated
peak period
base period
per line mile

Percent of operating
capacity

Revenue miles
per line mile
per vehicle

Maintenance Performance

Vehicle miles
per dollar of repair expenses
per dollar of servicing expense
per dollar of total maintenance expense
per maintenance labor hour
per road call

Vehicle per maintenance employee

Safety

Number of collision accidents
per vehicle mile
per passenger mile

Number of noncollision accidents
per vehicle mile
per passenger mile

BERNARD CZEGLA
CHIEF DEPUTY

OWEN K. KUNS
EDWARD K. PURCELL
RAY H. WHITAKER

KENT L. DECHAMBEAU
ERNEST H. KUNZI
STANLEY M. LOURIMORE
SHERWIN C. MACKENZIE, JR.
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PRINCIPAL DEPUTIES

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107 SOUTH BROADWAY
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Legislative Counsel of California

EXHIBIT 1

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ALVIN D. GRESS
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EILEEN K. JENKINS
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MARY SHAW
WILLIAM K. STARK
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BRIAN L. WALKUP
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JIMMIE WING
CHRISTOPHER ZIRKLE
DEPUTIES

Sacramento, California

November 16, 1976

Honorable Mike Cullen
5144 State Capitol

Transit Operators - #16016

Dear Mr. Cullen:

You have asked the following three questions regarding Chapter 1400 of the Statutes of 1971, which are separately stated and considered below.

QUESTION NO. 1

May a state administrative agency or a transportation planning agency reduce an allocation previously made to a transit operator under the provisions enacted by Chapter 1400 of the Statutes of 1971 and subsequent amendments made thereto through January 1, 1976?¹

OPINION NO. 1

No state administrative agency may reduce an allocation previously made to a transit operator under the provisions enacted by Chapter 1400. However, under certain conditions, a transportation planning agency may reduce an allocation previously made to a transit operator under the provisions of Chapter 1400.

¹ Hereinafter referred to as "Chapter 1400."

ANALYSIS NO. 1

Under Chapter 1400, which became operative on July 1, 1972, the rate of the state's sales and use tax was reduced 1/4 percent, the sales and use taxes exemption for motor vehicle fuel (other than for such fuel used in propelling an aircraft) was deleted, and the local sales and use taxes are imposed at the rate of 1-1/4 percent, rather than 1 percent, under the Bradley-Burns Uniform Local Sales and Use Tax Law (Secs. 6051, 6201, 6357, 7202, 7203, R. & T.C.; Sec. 22, Ch. 1400, Stats. 1971).

The moneys received by a county from the 1/4 percent increase in the rate of the local sales and use taxes are to be deposited into the local transportation fund in the county treasury, and are to be continuously appropriated by the board of supervisors for various transportation purposes (Secs. 29530, 29531, Gov. C.).

After apportionments for specified administrative expenses and comprehensive regional transportation planning, the moneys in the fund are to be apportioned by the designated transportation planning agency for the county, first to cities and counties under Section 99234 of the Public Utilities Code² for facilities provided for the exclusive use by pedestrians and bicycles, but not to exceed 2 percent of the remaining money, second to qualified claimants under Article 4 (commencing with Section 99260) of Chapter 4 of Part 11 of Division 10 for public transportation purposes (i.e., the development and operation of public transportation systems)³, and then to qualified claimants under Article 8 (commencing with Section 99400) of Chapter 4, Part 11 of Division 10 for other transportation purposes (i.e., for local streets and roads, and payments to the National Railroad Passenger Corporation (AMTRAK) for passenger rail services) (Secs. 29530, 29532, Gov. C.; Secs. 99233, 99234, 99262, 99400; 21 Cal. Adm. C. 1645).

In order to qualify for apportionments for Article 4 public transportation purposes, a claimant must be an "operator," which is a city, county, transit district, or bridge and highway district operating, or under specified conditions supporting, a public transportation system (Secs.

² All subsequent section references are to the Public Utilities Code, unless otherwise indicated.

³ Hereafter referred to as "Article 4 public transportation purposes."

99207, 99208, 99209, 99210, 99213). A "public transportation system" means any system of an operator which provides transportation services to the general public by any vehicle which operates on land or water, regardless of whether operated separately from or in conjunction with other vehicles (Sec. 99211). A claim for Article 4 public transportation purposes may include claims for, among other things, planning purposes, acquisition of real property, and construction of facilities (Sec. 99262).

There are no provisions contained in Chapter 1400 which authorize any state administrative agency to reduce an allocation previously made to an operator under such provisions.

However, there are provisions under which it may be possible for a designated transportation planning agency to reduce an allocation previously made to an operator under Chapter 1400.

Section 99235 (also see 21 Cal. Adm. C. 1649) provides that a transportation planning agency shall, after having determined the allocation of each claimant, convey such information to each claimant and the county auditor together with one allocation instruction for each claimant advising the auditor as to the time and nature of payment. Section 99235 also provides that the allocation and instruction may be rescinded and revised by the transportation planning agency if (1) an appeal has been filed (see Sec. 99242), or (2) the claimant is found to be spending, or unless enjoined, to be about to spend, moneys otherwise than in accordance with the terms of the allocation, or (3) an adjustment is proved to be necessary to reconcile the estimates on which the allocation was based with the actual figures when these are available, or (4) the financial needs of the claimant differ from those at the time of the allocation due to changed circumstances.

In addition, transportation planning agencies are authorized to adopt rules and regulations governing the distribution of moneys in the local transportation fund (see Sec. 99241; 21 Cal. Adm. C. 1655). Such rules and regulations could, we think, impose reasonable conditions not in conflict with the provisions of Section 99235 under which any previously made allocation could be reduced.

Therefore, it is our opinion that although no state administrative agency may reduce an allocation previously made to a transit operator under the provisions of Chapter 1400, under certain conditions, a transportation planning agency may reduce an allocation previously made to a transit operator under the provisions of Chapter 1400.

QUESTION NO. 2

Could Chapter 1400 be amended to specifically require that a transit operator perform at an acceptable level of efficiency in order to be eligible for money in the local transportation fund?

For purposes of this question, we have assumed that the term "acceptable level of efficiency" could be adequately defined for administrative purposes.

OPINION NO. 2

Chapter 1400 could be amended to specifically require that a transit operator perform at an acceptable level of efficiency in order to be eligible for moneys in the local transportation fund.

ANALYSIS NO. 2

The legislative power of the state is vested in the Legislature (Sec. 1, Art. IV, Cal. Const.). It has all legislative power not expressly or by necessary implication denied to it by the Constitution (Dean v. Kuchel, 37 Cal. 2d 97, 104). The power to legislate includes by necessary implication the power to amend existing legislation, since the amendment of a legislative act is itself a legislative act (Johnston v. City of Claremont, 49 Cal. 2d 826, 834-835; City of Sausalito v. County of Marin, 12 Cal. App. 3d 550, 563-564). Furthermore, one legislative body cannot limit or restrict its own power or that of subsequent legislatures, and the act of one legislature does not bind its successors (In re Collie, 38 Cal. 2d 396, 398).

Accordingly, we think that Chapter 1400 could be amended to specifically require that a transit operator perform at an acceptable level of efficiency in order to be eligible for moneys in the local transportation fund.

QUESTION NO. 3

Do Sections 1660 and 1661 of Title 21 of the California Administrative Code require annual performance audits of all transit operators receiving moneys from the local transportation fund?

For purposes of this question, we have assumed that "performance audit" means an examination of the effectiveness of the management and operations of the programs or activities of transit operators independently of a financial audit.

OPINION NO. 3

Sections 1660 and 1661 of Title 21 of the California Administrative Code require annual performance audits of all transit operators receiving moneys from the local transportation fund.

ANALYSIS NO. 3

Sections 1660 and 1661 of Title 21 of the California Administrative Code read as follows:

"1660. Report to the Secretary. The transportation planning agency shall within 30 days of issuance of allocation instructions submit to the Secretary [of Business and Transportation] the estimate of monies available for allocation for each county as reported by the county auditor pursuant to Rule 1620, each area's apportionment as determined by the transportation planning agency, and a report advising him of the action taken on all claims and summarizing its evaluation of individual claims filed including specific comments on the extent to which it finds that:

"(a) The operator's services are being conducted in an efficient manner;

"(b) The operator's services are separately or in combination with other services designed to equitably and reasonably provide for the total public transportation needs of all segments of society within the general area served;

"(c) The operator's passenger fares and charges are at reasonable levels and its services, fares, transfer privileges and related matters are fully coordinated with those of all other operators and privately owned transit systems within the operator's area;

"(d) The operator is making full use of Federal and other available revenues;

"(e) There are no increases in operator's budget line items in excess of 15 percent over the preceding year or substantial increases or decreases in the overall scope of operations or capital budget provisions of the operator for major new fixed facilities which are not fully justified.

"(f) The proposed allocations are made only for transportation improvements or projects that are in conformity with Rule 1650 or Rule 1651.

"(g) Where allocations are made for implementation of elements of the Regional and California Transportation Plans other than those directly related to public transportation on claims for fiscal year 1974-1975 and thereafter, there are no areas within the jurisdiction of the claimant with unmet public transportation needs which can reasonably be met through expansion of existing transportation systems or by establishing new systems.

"Should there be any adverse comments reflecting exceptions or deficiencies in the above, the report shall fully explain the reasons for approving the claim.

"The report shall also include such portions of the operator's financial, statistical, and analytical information as the Secretary may request from time to time.

Honorable Mike Cullen - p. 8 - #16016

require annual performance audits of all transit operators receiving moneys from the local transportation fund.

Very truly yours,

Owen K. Kuns
Chief Deputy
Legislative Counsel

By 

David D. Alves
Deputy Legislative Counsel

DDA:pfh



BAY AREA RAPID TRANSIT DISTRICT
800 Madison Street
Oakland, California 94607
Telephone 465-4100

EXHIBIT II

January 13, 1977

ELMER B. COOPER
PRESIDENT

NELLO J. BIANCO
VICE PRESIDENT

FRANK C. HERRINGER
GENERAL MANAGER

DIRECTORS

JAMES D. HILL
1ST DISTRICT

NELLO J. BIANCO
2ND DISTRICT

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3RD DISTRICT

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4TH DISTRICT

ROBERT S. ALLEN
5TH DISTRICT

JOHN GLENN
6TH DISTRICT

ELLA HILL HUTCH
7TH DISTRICT

ELMER B. COOPER
8TH DISTRICT

JOHN H. KIRKWOOD
9TH DISTRICT

Mr. John H. Williams
Auditor General
State of California
Suite 750, 925 L Street
Sacramento, California 95814

Dear Mr. Williams:

Thank you for the opportunity to participate on the Advisory Committee created as a result of Chapter 1348, Statutes 1976. The study did a good job of highlighting the difficulties in establishing simple performance measure and in identifying easy methods to minimize operational deficits other than the obvious ones of reducing service and raising fares.

The report correctly points out the difficulties in developing measures which may be used to compare operators with totally different operating environments. This point cannot be over-emphasized. However, it is reasonable to expect that measures compiled at the state level will be compared. I do not believe that the measures selected, by themselves, are particularly useful or valid measures of effectiveness or performance. For example, the choice of passengers as opposed to passenger miles is an overly simplistic look at transit output. It was for this reason I supported a majority of the advisory committee members in suggesting that the types of measures be expanded.

In addition to the different operating environments, different areas of the state have adopted, at least implicitly, different transit objectives. These objectives may relate to transit coverage, service to the transit dependent, or specific market goals. I know that this issue was virtually impossible to address in the short time and with the limited information which was available. Nonetheless for

Mr. John H. Williams

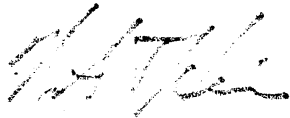
-2-

January 13, 1977

the legislature, transit managers and the public to evaluate effectiveness, a discussion of these objectives in addition to cost and ridership information will be necessary.

In conclusion, I wish to commend you and your staff for the considerable effort which has gone into this report. I believe that the dialogue which we have begun can result in improved transit evaluation and performance.

Sincerely yours,

A handwritten signature in dark ink, appearing to read 'W. F. Hein', written in a cursive style.

William F. Hein
Director of Planning

WFH:mw

CALIFORNIA ASSOCIATION OF PUBLICLY OWNED TRANSIT SYSTEMS

314 Latham Square Building • Oakland, California 94612 • Phone 654-7878, Ext. 204

January 17, 1977

Mr. John Williams
Auditor General
State of California
925 "L" Street, Suite 750
Sacramento, California 95814

MEMBERS

AC TRANSIT DISTRICT
CITY OF COMMERCE
CULVER CITY MUNICIPAL BUS LINES
FRESNO TRANSIT
GARDENA MUNICIPAL BUS LINES
GOLDEN EMPIRE TRANSIT
GOLDEN GATE BRIDGE, HIGHWAY
AND TRANSPORTATION DISTRICT
LONG BEACH PUBLIC
TRANSPORTATION CO.
MARIN COUNTY TRANSIT DISTRICT
MENLO PARK
MONTEBELLO MUNICIPAL BUS
LINES
MONTEREY PENINSULA PUBLIC
TRANSIT SYSTEM
NAPA CITY LINES
OCEANSIDE TRANSPORTATION
SYSTEM
ORANGE COUNTY TRANSIT
DISTRICT
REDWOOD CITY MUNICIPAL
TRANSIT SYSTEM
SACRAMENTO REGIONAL TRANSIT
DISTRICT
SAN DIEGO TRANSIT
CORPORATION
SAN FRANCISCO MUNICIPAL
RAILWAY
SANTA BARBARA METROPOLITAN
TRANSIT DISTRICT
SANTA CLARA COUNTY TRANSIT
DISTRICT
SANTA CRUZ METROPOLITAN
TRANSIT DISTRICT
SANTA MONICA MUNICIPAL BUS
LINES
SOUTH COAST AREA TRANSIT
STOCKTON METROPOLITAN
TRANSIT DISTRICT
TORRANCE MUNICIPAL BUS LINES

EXECUTIVE COMMITTEE

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ALAN L. BINGHAM
WILLIAM D. BOURNE—Treasurer
EARL DOCIMO
PETER DRAKE
CURTIS GREEN
JACK HUTCHISON
EDWARD LORITZ
PAUL SHAYERS

ROBERT E. NISBET—Executive Director

Dear Mr. Williams:

The California Association of Publicly Owned Transit Systems (CAPOTS) has appreciated the opportunity to work with your office over the past five months in analyzing transit deficits and in studying transit performance indicators. Probably the most important point identified in the study and presented on page 29 of the draft report is the trade-off that must be made between the objectives of keeping transit deficits at a modest level versus the competing objectives of providing mobility for the transit dependent, reducing energy consumption, improving environmental quality, and contributing to the relief of traffic congestion.

We do have several specific comments on each of the three major sections which are meant as clarification of items mentioned in the study.

Opportunities to Minimize Deficits

1. Automobiles are expensive for an individual to operate (page 20) and are, in addition, heavily subsidized as identified in the draft California Transportation Plan. These factors should be taken into account in a comparative manner in analyzing whether or not transit subsidies are justified.
2. Transit operators are not in complete control of the wage rates paid their employees. This control is usurped in part by Federal 13(c) requirements and by the provisions in some transit district enabling acts requiring binding arbitration.
3. A sudden shift to the use of large buses in an attempt to increase productivity (page 28) could lead to claims under 13(c) if bus operators were eliminated. A shift to large buses to improve productivity could be accomplished only through the reduction in operating positions through attrition or in an attempt to make future expansion more productive in existing services.
4. The percentage of operating expenses recovered through operating revenues should only be established in light of the amount of other revenue made available through local taxpayers. For example, AC Transit derives 38.2% of its operating revenues through local property tax. Santa Clara County Transit will be financed in large part by a local $\frac{1}{2}$ -cent sales tax.

5. The establishment of a minimum percentage of operating costs to be generated through operating revenues should involve proper consideration being given to unique local circumstances such as the expected low rate of farebox recovery in newly established areas.
6. Present levels of operator efficiency should be considered as new requirements for productivity improvements and reduced costs are considered.

Methods Needed to Measure Performance

1. Consideration should be given to including revenue per mile, revenue per hour, cost per mile, and revenue miles per employee in the list of performance indicators (page 42). These indicators were recommended by CAPOTS during Advisory Committee deliberations, and CAPOTS believes it would be a valuable addition to the list of performance indicators.
2. The study should note that all indicators (page 35) are to be based on boarding passengers (per hour, per mile, etc.) as a clarification.
3. The study should be expanded to explain what is meant by "hours per employee". This category should either be limited to operating employees or be made specific to include support functions (planning, maintenance, etc.) provided on a contract basis. Discussion should also be added to describe the manpower levels necessitated by the peaking of demand for service during certain hours of the day.
4. Other factors than density should be considered in adjusting service in less densely populated areas (page 36). Service frequency minimums are to an extent a matter of public policy and marketing strategy. Certain minimum headways are often required in order to achieve a threshold for ridership production.
5. A three-level method of counting passengers should be established (page 39): non-transfer, transfer, and total passengers. This would allow those systems which count transfer passengers to separate the figures and also allow those not counting transfers to simply show total ridership.
6. The definition of operating cost per vehicle service hour (page A-1) should be changed to the total budget less capital items which are treated under depreciation.

Improvements and Requirements for Audits

1. CAPOTS believes that requirements for performance audits to measure internal efficiency and effectiveness are appropriate. It must be noted, however, that the requirement to conduct performance audits presently rests with the Regional Transportation Planning Agency.

Our organization believes that the statement regarding the limited sample of operators (page 4) is important to note and should be taken as a caution by all parties evaluating the findings of your study. One important finding, even with such a limited sample, was that certain operating characteristics vary dramatically depending upon the characteristics of the area in question. An example of this variation is the important variable "average speed" which in the larger systems is approximately 14 mph, while in smaller, more rural systems, is approximately 17 mph.

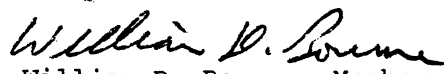
January 17, 1977

Page 3

Mr. John Williams

As all members of CAPOTS were not included in the study, we look forward to working as a group to evaluate your findings. CAPOTS may submit a more detailed response as the legislative review proceeds.

Very truly yours,



William D. Bourne, Member
CAPOTS Executive Committee

WDB:jan

DEPARTMENT OF TRANSPORTATION

DIVISION OF MASS TRANSPORTATION

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(916) 445-3175



January 14, 1977

Mr. John H. Williams
Auditor General
925 L Street, Suite 750
Sacramento, California 95814

Dear Mr. Williams:

We appreciate very much the opportunity to serve on the Advisory Committee and to review the draft of the report required by Section 25, Chapter 1348 of the Statutes of 1976. Our comments are outlined below.

Also, we would like to compliment you and your staff for the commendable manner in which the study was conducted. The report represents an outstanding job in view of the broad subject area and the short time of completion.

Comments:

Page 2, 2nd para - The allocation of UMTA Section 5 funds is based upon population and population density. The amount of funds used for operating purposes is limited to 50% of eligible costs.

Page 3, 2nd para - Should state that ridership began an upturn in 1972. In California, some of the increase can be attributed to TDA.

Page 6, 1st para - Because labor costs represent three-fourths or more of total operating costs, increased productivity and decreased labor costs should be included as methods to minimize deficits.

Page 6, 2nd para - The 50% limitation on use of UMTA Section 5 funds for operating purposes and the 50% of total budget limitation on TDA funds do provide some incentive to minimize operational deficits. (See also last sentence on page 8.)

Mr. John H. Williams
January 14, 1977
Page Two

Page 18 - The statement that higher fares is an opportunity to increase operating revenues is true only to the extent that the resulting decrease in ridership does not offset the anticipated revenue increase. The San Diego Transit experience as shown on pg.17&18 does not support the statement on page 18. Revenue per mile and hour remained almost constant in 1974-75 despite a 40% increase in fares.

Page 20, 2nd para - It should be pointed out that reduced fares for the elderly and handicapped are mandated by the Federal Government as a condition of Federal operating assistance.

Page 21, 3rd para - The purpose of TDA is to improve and expand transit service in response to unmet needs consistent with local transportation plans. To say that new transit systems were started because TDA funds were available to finance deficits is an oversimplified conclusion.

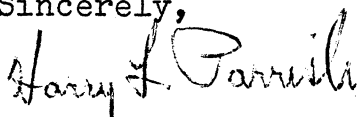
Pg.29&30 - These are options rather than steps to be taken to reduce or minimize deficits. Numbers 1 and 3 would reallocate the deficit, but would not necessarily reduce or minimize deficits.

Page 38, 1st para - This conclusion is not accurate. The differences between similar systems, i.e., SCRTD, San Diego, AC Transit and Sacramento are not really significant. The performance measures do, in fact, produce results which are quite similar.

Page 48 - The recommendations commencing with page 48 and prior discussion urge that fiscal audits be expanded to include compliance with applicable laws and regulations. We believe that the existing regulations provide for a compliance audit, but obviously there is need for clarification. New proposed regulations are presently being considered for adoption by the Secretary of Business and Transportation Agency and the State Transportation Board that will require the compliance element. In addition, the proposed regulations will reorient the performance audit to the standards developed by the U. S. Comptroller General for program evaluation.

We will be pleased to be of any further assistance which might be necessary.

Sincerely,



Harry L. Parrish
Assistant Director for
Mass Transportation



CITY OF CARSON

11 January 1977

John H. Williams, Auditor General
925 "L" Street, Suite 750
Sacramento, California 95814

Dear Mr. Williams:

As Chairman of the SB1687-Transit Advisory Committee, I want to commend both you and your staff, specifically Tom Hayes for a very fine job/report mandated by Chapter 1348 of the Statutes of 1976.

The required study entitled "Report of The Office of The Auditor General to The Joint Legislative Audit Committee", dated January 1977 contains many suggestions of the Advisory Committee. The closing conclusions and recommendations offered by your office are constructive and they should if implemented make future audits more meaningful and informationally enlightening.

In our desire to achieve efficiency and effectiveness, we must never inadvertently forget our main goals of service, program accessibility and the general welfare of the public at large. The most efficiently operated and fiscally sound activity might never produce the legislatively desired goals because we have too rigidly restricted our service agencies to administrative-operational procedures rather than their prime purpose as service providers.

I concur with the opening remarks contained in the Summary and Introduction and I will comment on those suggestions offered on page 29 and 30.

- 1) Items 1, 2, and 4 I support and I would like to give further consideration to the fare box limitation recommendation and the possible requirements of increased local funding contained in item 3.

The recommendations presented on page 40 under CONCLUSION and on page 41 under RECOMMENDATIONS, I believe to be good. However, the additional costs that will be required to produce the necessary data should be considered when determining the need for the auditable information.

Mr. John H. Williams
11 January 1977
Page Two

The "Standards For Audit of Governmental Organizations Programs Activities and Functions", offered by the Comptroller General of the United States submitted on page 43 and 44 are excellent and I wholeheartedly support the adoption of such standards.

The closing CONCLUSIONS and RECOMMENDATIONS presented on page 48 and 49 I believe to be reasonable and acceptable. The last sentence in the fourth paragraph under "Performance Audits of Transit Systems are Needed" needs to be reviewed as the "adequacy" of Regional Transportation Plans is in fact specifically tied to AB69 and the eventual adoption of a State Transportation Plan.

I hope my comments have been helpful and I have enjoyed working with you and the Advisory Committee members. Please do not hesitate to call if I may be of further assistance.

Sincerely,

CITY OF CARSON

A handwritten signature in black ink that reads "Gilbert D. Smith". The signature is written in a cursive style with a large, stylized initial "G".

Gilbert D. Smith
Councilman

GDS:bac



SUITE 524
SECURITY PACIFIC PLAZA
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SAN DIEGO, CALIF. 92101
(714) 233-5211

January 13, 1977

Mr. John H. Williams
Auditor General
California Legislature
Suite 750, 925 L Street
Sacramento, CA 95814

Dear Mr. Williams:

We appreciate the opportunity to review and comment on your draft report concerning the evaluation of methods to improve the efficiency and effectiveness of public transportation systems in California. Having grappled with the same questions over the last several years, we are beginning to understand the complexities of this most difficult task and wish to commend your office on the efforts you put forth to develop your excellent draft report. To begin with, we generally support the use of the five performance indicators that you have recommended although one local operator has expressed an objection to the passenger per vehicle service mile indicator. However, we believe further research and discussion is needed before legislative action occurs.

Needless to say, the San Diego Region supports your second recommendation concerning performance audits as we are the first region in the State to attempt to meet this TDA requirement. Again, we would emphasize that much more work is needed in this area and would hope that the Auditor General's office would continue to work on clarifying this very vague State requirement. For example, we can find no State definition of what constitutes a performance audit. State guidelines are still needed to assist public transportation systems in providing the required performance audits. We agree with your finding that a three year cycle for performance audits would be sufficient.

The primary transit operator in our region has expressed concern over the use of the word "minimum" on page 29 , 1). What is meant by minimum percentage? Is it to be 10%, 50% or what? This has a great potential for disruption of existing systems and should be clarified prior to submission to the Legislature.

One additional concern that has been raised in our region is the question of how the performance indicators will be utilized. Are they to compare an

Mr. John H. Williams

January 13, 1977

Page 2

operator's current proposals with past performance or will each operator be measured by some Statewide minimum standards. We can see some value for policy makers in utilizing the data for historical perspective but question the validity of the second useage. In the first place no Statewide minimum standards exist and your report does not give any indication about what these should be.

We realize the complexities involved in attempting to provide a common data base for comparison on so many uniquely different transportation systems. In the first place, the data must be accurate, and in the second place it must be viewed realistically in terms of the complexities involved which differ from area to area. An example of how these problems can be compounded is found on page 24 of your report where you report San Diego Transit's operator cost per vehicle service hour for 1976 as \$27.88 a figure which is nearly \$4.00 higher than San Diego Transit reports it to be.

In conclusion we would again emphasize our support for the draft report and the great amount of work it represents and hope that it marks the beginning of a Statewide cooperative effort which will continue to tackle this difficult task.

Sincerely,

LAWRENCE W. STIRLING
Associate Director for Finance &
Administration

LWS:B



Metropolitan Transportation Commission

January 13, 1977
W.I. 1006-01-01

Mr. John H. Williams
Auditor General
California Legislature
Suite 750
925 L Street
Sacramento, CA 95814

ATTENTION: Tom Hayes

RE: Draft Report on Financing and Evaluating Public Transit Systems in
California, 1977

Dear Mr. Williams:

In general, I believe that your draft report should make a significant contribution towards implementing adequate performance audits of transit operators. My few specific comments are as follows:

1. I am pleased with the idea of an approach combining the simplicity of general performance indicators with a more detailed individual performance audit.
2. I would suggest that it is not appropriate to attempt to combine transportation planning activities external to a transit operator's board into the performance audit as specified in Sections 1660 and 1661 of Title 21 of the California Administrative Code. Transportation planning activities are involved in cooperative planning efforts with local governments, transit operators, Caltrans, federal agencies, and other entities as a part of the overall work programming process for the area. This multi-modal process is accomplished under the Intermodal Planning Group federal guidelines. Certainly performance audits of a transit operator should consider the relationship between the regional planning process and transit operations to include any inconsistencies.
3. Sections 1660 and 1661 of the Code require the transportation planning agencies, as you know, to make their reports on efficiency and effectiveness to the Secretary of the Business and Transportation Agency. I fail to understand the proposal in the draft report whereby a copy of performance audit reports of the individual recipients would be forwarded to Caltrans. Such a procedure would constitute a further expansion of the bureaucratic process.

4. Finally, I would hope that your report to the Legislature could clearly indicate that the proposed performance indicators for measuring efficiency and effectiveness in terms of the state-level requirements are not construed as being adequate to meet the total requirements at the transit operator or TPA level. Obviously, more detailed individual criteria will be necessary as a basis for providing the managers of transit properties and planning agencies with information to adequately review the performance of transit operations.

Thanks for the opportunity to comment on your draft report.

Very truly yours,



N. A. Gage
Assistant Director

NAG:cah



COUNTY of NEVADA CALIFORNIA

Courthouse • Nevada City, California 95959 • (916) 265-2461

"Nevada County . . . the Gateway to the Sierra"

January 14, 1977

John H. Williams, Auditor General
Suite 750
925 "L" Street
Sacramento, California 95814

Dear Mr. Williams:

It has been a pleasure to serve on the SB 1687 Advisory Committee. The opportunity to participate with other transit operators from throughout the State was enlightening to learn more of the differences between an urban area and a rural area.

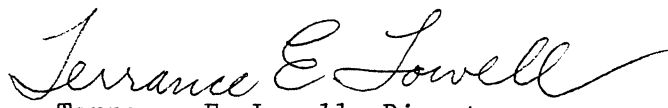
In reply to the draft report, I would first like to point out that the Gold Country Stage in Nevada County is a joint venture between the County, the City of Grass Valley, and City of Nevada City. This venture came about strictly and solely due to the passage of SB 325. When the community became aware that these funds were principally for the purpose of transit, there was a significant outpouring of public interest to establish some kind of transit service. I point this out only to emphasize the fact that transit service and, consequently, a transit operating deficit in Nevada County exists solely because of SB 325. The total TDA funds made available within Nevada County in Fiscal 1976 was \$271,000.00, while the total cost of the Gold Country Stage was \$87,132.00. The County and the two Cities receive more than sufficient TDA funds to pay for the cost of the Gold Country Stage. As the effectiveness indicators disclose, it is apparent that our transit service is more of a social benefit (like many other governmental services) than a viable business venture. While there may be persons, including legislators, who feel that this is an unwise use of public funds, the elected officials within Nevada County feel, however, that it is justified and does provide a community service. I will point out, however, that those elected officials have publically stated that if and when TDA funds are not available, that the service will either have to be curtailed or eliminated, but at the present time have placed some transit service higher in priority than allocating all TDA funds for road improvements.

DEPARTMENT OF PUBLIC WORKS

Each governing body at different times has made their feelings known to the legislature that they do not agree with the 50 per cent subsidy limitation after five years of operation. This is because of the fact that there are more than adequate TDA funds. Based on this, I take exception to recommendation Number One and Three on Pg.29&30. Number One recommends requiring a transit operator to cover a minimum percentage of operating cost through operating revenues to be eligible for TDA funds. In our County, there are sufficient TDA funds, and by policy the governing bodies have chosen to allocate them to transit and to charge only a 25¢ fare. Number Three recommends lowering the 50 per cent subsidy after 5 years. Since the County and Cities have sufficient TDA funds to fully subsidize the transit system, and since those funds are local funds, it makes no sense in this County to have either recommendation One or Three. Should Number One and Number Three be adopted, it could mean that transit service in Nevada County would be curtailed and possibly eliminated. If that occurs, it seems that it would go contrary to the original legislative intent creating the Transportation Development Act.

In regard to performance indicators, I heartily agree that performance audits must evaluate the uniqueness of each system. As can be seen from the indicators in the draft report, it is quite apparent there is some difference between the Gold Country Stage and the other systems evaluated. However, our governing bodies feel that the Gold Country Stage does operate effectively and is a valuable community service. If the Gold Country Stage is to be compared to other transit services in the State without discussion, it would certainly indicate that the Gold Country Stage does not operate as effectively as the others do. It is only on the basis of an individual performance audit that the uniqueness of this system would be disclosed. In addition, I support your recommendation that performance audits not be required annually.

Very truly yours,


Terrance E. Lowell, Director
hh

TEL:hh



Southern California Rapid Transit District
425 South Main St., Los Angeles, California 90013
Telephone: (213) 972-6000

JACK R. GILSTRAP
General Manager

January 14, 1977

Mr. John H. Williams
Auditor General
Suite 750
925 L Street
Sacramento, California 95814

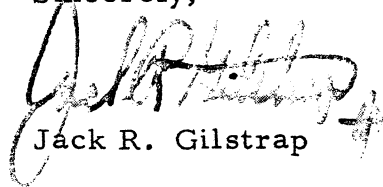
Dear Mr. Williams:

Thank you for the opportunity to review and comment on the draft report of the Office of the Auditor General entitled, "Financing and Evaluating Public Transit Systems in California."

We at the Southern California Rapid Transit District find the report to be a comprehensive summary of public transit's financing and deficit situation. Your staff is to be commended on its ability to understand these complex financial and productivity issues, while working under a difficult time constraint. As to a formal response, we have prepared comments on the report in accordance with your instructions and would ask that they be included in the final report.

We appreciate the opportunity to participate in this important effort and to serve as a member of the Advisory Committee.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jack R. Gilstrap", is written over the typed name. The signature is fluid and cursive, with a small flourish at the end.

Jack R. Gilstrap

Attachment

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

COMMENTS ON REPORT OF THE OFFICE OF THE AUDITOR GENERAL

"FINANCING AND EVALUATING PUBLIC TRANSIT SYSTEMS IN CALIFORNIA"

Performance Audits

On pages ii, 38 and 43, there are statements relating to the lack of performance audits. It should be pointed out that the responsibility for these audits rests with the metropolitan planning organization and not the transit operators.

Vehicle Service Hours per Employee

On page A-1, a "person year" or employee is determined by taking total pay hours and dividing by 2,080 hours. We suggest that overtime premium pay be eliminated from total pay hours in order to eliminate the distortion caused by premium pay.

Comparative Income Statement

In Appendices "B" through "H" only operating subsidies should be included in the "subsidies" section, rather than both capital and operating. The variations in the manner in which various accounting systems handle capital subsidies precludes meaningful comparison between operators, unless capital funds are excluded.

Sacramento Regional Area Planning Commission



Suite 300, 800"H" Street, Sacramento, California 95814
(Mailing Address: P.O. Box 808, Sacramento, California 95804)
(916) 441-5930

COMMISSIONERS

January 14, 1977

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City of Woodland
Yuba County
City of Marysville
City of Wheatland

Mr. John H. Williams
Auditor General
925 L Street, Suite 750
Sacramento, CA 95814

Dear Mr. Williams:

I have received your draft report concerning "Financing and Evaluating Public Transit Systems in California" and reviewed it per your request. My comments are presented below.

A General Comment Relative to Page 8:

The decline in profitability and use of mass transit systems can probably be traced to the increasing availability of automobiles and associated facilities accompanied by declining real costs of ownership and operation of the automobile. When combined with an evident demand for greater residential space and privacy, these factors have resulted in low density land use patterns with low mass transit trip generating characteristics.

However, long term resource considerations and social considerations have shown that it is desirable to maintain mass transit systems in spite of their inability to generate sufficient operating revenues. It is not especially surprising that California cities, which are creatures of the post World War II auto boom and housing subsidy era, provide a much lower mass transit operating revenue proportion than older or more compact cities elsewhere. Mass transit systems are at a greater competitive disadvantage in relation to the automobile in California.

The means of competition include increased levels of service to reduce waiting time, access time, travel time, and to increase the number of destinations served. Competition also takes a monetary form: by reducing the real cost of service, longer travel times which are required on mass transit are made less onerous. Continued viability requires some use in the system to achieve auto trip reduction - that is the major justification for system maintenance.

Relative to Page 30:

If step #1 is considered desirable, the incrementing of fares should be tied to a market study which defines the least counterproductive method of assessing increased fares. For example, the relative fare elasticity of demand for transit service ought to be considered.

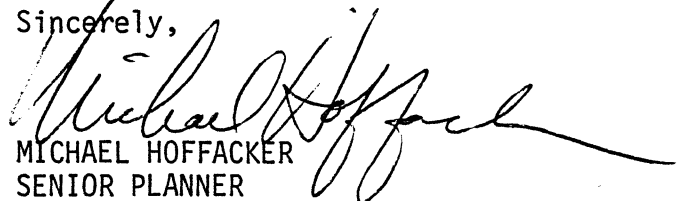
Transit systems presently face too many constraints upon the application of various funds sources. This inhibits effective management of the systems through limiting the options a property has to work with.

Relative to Page A-1:

With respect to the use of the term "total passengers" in the performance indicators, I have serious reservations about the ability of some systems to establish the number of transfers. You offer no definition of the term "transfer" and in a system such as SRTD which makes use of a daily pass/monthly pass fare structure, the number of non-transfer trips will be an estimate based upon many assumptions - some of which will be expensive to validate.

Mr. Hayes appears to have done a very thorough job and the report is one of the more lucid such documents that I have read. Thank you for the opportunity to advise your staff during the conduct of this study and I hope that my comments have been useful.

Sincerely,



MICHAEL HOFFACKER
SENIOR PLANNER

MH:dr



January 10, 1977

Mr. John H. Williams
Auditor General
State of California
925 L Street, Suite 750
Sacramento, California 95814

Attention: Mr. Tom Hayes

Subject: SB 1687 Committee

Dear Mr. Williams:

I have read the draft report on "Financing and Evaluating Public Transit Systems in California" transmitted by your letter of January 3, 1977. My two-page commentary is attached.

It has indeed been a pleasure to have served on this Advisory Committee. I shall remember and use this particular operation as an example of committee work that set out to accomplish a clear purpose and which then actually self-destructed.

Very truly yours,

JAMES T. POTT
Director

JTP:dg
Att.

cc: Victor Pottorff
William Siegel
LM, RWS, GCH



January 10, 1977

Financing and Evaluating Public Transit Systems
in California - January 1977

COMMENTARY

My commentary on subject report is as the appointed representative of the County Supervisors Association of California. Because of time, however, it does not necessarily represent the corporate views of CSAC.

Discussion of financing publicly owned public transit systems in California in the context of "deficits" is unfortunate. "Deficit" is an entrepreneurial term and carries connotation of failure. The term "deficit" is foreign to the general concept of government operations and truly need not apply to publicly owned transit. Some transit operators have clearly constrained their planning for new transit services based on anticipated funds available from all sources in accordance with standard governmental concepts of doing "business." The reality is that government "serves" according to funds "available."

If the real goal is how to minimize the growth of pressure on State Government to increase transit funding levels, a simple, direct solution would be to legislate that fare box revenues must be equal to or greater than an arbitrarily established percentage of the Mills-Alquist-Deddeh funds which accrue to the county in question.

The above solution is more desirable from the standpoint of an operator than the suggestion on pg.29&30 that operating revenues achieve a minimum percentage of operating expenses. This latter conclusion constrains local flexibility to provide more transit service if the local community is prepared to finance those services from its own taxation.

The suggestion on page 30 that transportation planning agencies could identify and analyze potential productivity improvement to lower costs is unwise. Transportation planning agencies are not operationally experienced and their goals are general planning. Requiring TPA's to address productivity improvements undoubtedly would simply increase operator costs of doing business due to a need to reanalyze, educate, instruct and rebut a nonoperational suggestion which may or may not be related to legislatively determined operator goals.

Comments on the lack of performance audits tend to be unfair to publicly owned transit operators. Existing laws and regulations already require the TPA to issue an annual performance report. See

Financing and Evaluating Public Transit Systems
in California - January 1977

COMMENTARY (con't)

2

Legislative Counsel Opinion No. 16016, dated November 16, 1976. The making of such performance reports in accordance with Section 1661 of the California Administrative Code is presumably already funded under provisions of the Mills-Alquist-Deddeh Act where the TPA is allocated 3 percent "off the top."

Performance audits of transit systems are needed. Performance audits of transportation planning agencies are also needed as stated in the report. The present requirement is annual. Despite the costs of performance audits (sometimes most significant), these costs should be able to be absorbed by the TPA if the TPA receives the suggested discretion for triennial auditing and if the TPA manages its available funds judiciously. To handle this problem in an alternative manner raises serious issues concerning State-imposed cost obligations on local government and the philosophy of "SB 90."

Report comments on efficiency and effectiveness are fundamentally sound. It is very gratifying that the Advisory Committee recommendation was not accepted. The reasoning process used for nonacceptance is very real and very sound.

Whatever is done on performance indicators, it is hoped that distinctions will be drawn between growing transit systems and mature ones, as well as among the modes of transit. Certainly, rail performance indicators should be grouped separately from fixed-route bus operator performance indicators, and both should be segregated from the conglomeration of paratransit performance indicators.

For your information and as an indicator of the auditing problem faced by an operational unit of government, you should know that this Transportation Agency, on an ongoing basis, is separately audited on each intergovernmentally funded project which it performs, both internally and externally, by a variety of governmental agencies. I have a preliminary report of some 14 such audits. I continue to hope, albeit with diminishing optimism, that some day the audit situation and intergovernmental reporting system will become organized so that government service can direct itself to public service with some modicum of efficiency and effectiveness.


JAMES T. POTT
Director

JTP:dg





600 South Commonwealth Avenue • Suite 1000 • Los Angeles • California • 90005 • 213/385-1000

SPECIAL DELIVERY

January 12, 1977

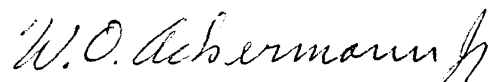
Mr. John H. Williams
Auditor General
Office of the Auditor General
CALIFORNIA LEGISLATURE
925 L Street - Suite 750
Sacramento, California 95814

Attention: Mr. Tom Hayes

Dear Mr. Williams:

Attached are my comments on the draft report, "Financing And Evaluating Public Transit Systems In California". I believe the report is well prepared, particularly considering the time constraint, and should be a useful document.

Sincerely,



W. O. Ackermann, Jr.
Director of Transportation
Planning

WOA:mjs
Enclosure (Comments on Draft Report)



600 South Commonwealth Avenue • Suite 1000 • Los Angeles • California • 90005 • 213/385-1000

COMMENTS ON DRAFT REPORT

GENERAL COMMENTS

The report is well prepared and should be a useful document.

While the report summarizes the situation relative to transit deficits, it does not give much indication of how to reduce these deficits. This is not unexpected considering the difficult nature of the problem.

The recommendations on audit improvements are very good.

The characteristics of small operators in small communities is clearly different from those in large cities.

Small operators appear to be very dependent upon the TDA funds. We should address how these systems will operate after five years when they are restricted to 50% of their budget from TDA funds.

SPECIFIC COMMENTS

P. 29 - Step 1). This policy would not be equitable unless it recognized the difference in systems because of community size (density).

P. 30 - Step 2). Of the four recommended, this one would provide the best opportunity for equity and flexibility. It does need further definition, however.

- Step 3). This would not be equitable for small operators (low density communities).

P. 36). The discussion of the effect of density upon system effectiveness deserves more emphasis than just the last sentence on this page.

COMMENTS ON DRAFT REPORT

SPECIFIC COMMENTS (Continues)

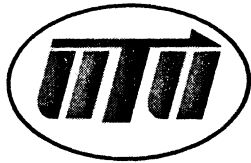
P. 42). I concur with the staff comments in the report and do not feel that the additional indicators are necessary.

P. 46). With reference to the comment relative to Gardena in the last paragraph, this was the case based upon the original claims. Modified claims that have been submitted since this was discovered indicate that while fund expenditures were inconsistent with the original claims, all but \$22,879 of the funds dispersed was consistent with the legal requirements according to revised claims.

P. 48). Beginning with the third line, I see no problem expanding the performance audit to include fund administration, but including the planning would be a very complex requirement. I recommend that the review of the planning be carried out under the AB 69 transportation planning process.

Who would be responsible for performing the performance audit?

WOA:mjs
1-12-77



921 11TH STREET
SUITE 502
SACRAMENTO
CALIFORNIA 95814
(916) 441-2051

**United
transportation
union**

CALIFORNIA STATE LEGISLATIVE BOARD, AFL-CIO

J. L. (Jim) Evans
Director
J. P. Jones
Asst. Director

January 11, 1977

Mr. John H. Williams
Auditor General
925 L Street, Suite 705
Sacramento, California 95814

Dear Mr. Williams:

This has reference to your letter of January 3, 1977, and the attached draft report of the Auditor General to the Joint Legislative Audit Committee relative to financing and evaluating public transit systems in California.

My initial comment will deal with the subject on the elimination of factfinding as a mechanism of settling labor disputes. As you will recall, I pointed out at the Advisory Committee meeting that factfinding is not only a deterrent to a swift and rapid settlement of labor disputes, but serves to prolong labor-management disputes and actually promotes strikes and unrest. It should also be noted that factfinding is costly to the taxpayers of California. It is my strong recommendation that the final report of your office should recommend the elimination of factfinding having any application to transit districts.

Contained in the draft report is the suggestion of employing part-time drivers on transit districts. I have discussed this particular matter with a member of your staff, and while on the surface, the question of part-time drivers may indicate a slight savings to transit districts, the spin-off problems would be much greater than the initial savings the transit districts would realize.

If time and space were available, I would be able to explain fully all of the added problems and costs these proposed employees would create, however, I do wish to point out that there are many detrimental factors than there are benefits. It is my strong suggestion that prior to any recommendation in the final report that part-time drivers be employed by transit districts in California, that a thorough in-depth and complete investigation of this matter be made by your office.

On the question of the accountability by transit districts for the expenditure of public funds, (regardless of the source of these public funds) a practice is presently being engaged in by many transit districts in California which I feel your office should attempt to prohibit in the future. The practice deals with the use of public money for advertising in newspapers, television and radio to put forth the position of the particular transit district in labor negotiations with their respective labor organization.

A. Dan Reilly, Chairman
J. H. Cockburn, 2nd Vice Chairman & Bus Representative

Lynn Fruit, Secretary
J. Roberts, 3rd Vice Chairman

J. Glenn Yates, 1st Vice Chairman
R. E. Willeford, Alternate Director

Mr. John H. Williams
January 11, 1977
Page 2

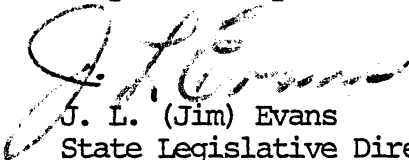
It is the firm belief of the United Transportation Union that this type of practice should be eliminated by both labor and management. The proper place for the presentation of a transit district's position in a labor dispute is at the bargaining table and not through the news media. I believe a great deal of money could be saved by the transit districts if said districts were prohibited from using public funds of any type to put forth their position while engaged in labor negotiations. It would be my suggestion that your final report recommend prohibition of transit districts using any public funds to advertise their position in a labor-management dispute at any time.

My final comment deals with the recommendation of the draft report that all transit systems in California be allowed to provide charter service within their service areas. Prior to this item becoming an element of the final report, I feel it incumbent upon your office to investigate this subject in greater depth before formal implementation. The initial problem with charter service is the potential for transit districts to use public money to compete with existing private industry and business. Coupled with this problem is the possibility that management of some transit districts, if they were given the right to run charter service which they presently do not operate, would attempt to run excessive amounts of charter service which would adversely affect present existing regular routes within the boundaries of said transit districts.

This saturation of charter service would have an unfavorable affect on service and thereby adversely affect the riding public which the transit district is supposed to serve. If transit districts are to be given the right to operate charter service within their boundaries, I believe it necessary that strong safeguards be established whereby charter service which will be established in the future, will in no way infringe or work to the detriment of existing regular routes. Additionally, it should be restricted to the elderly, handicapped and/or school-aged children as a precautionary measure against a charter service infringing on existing transit district routes. I respectfully request that prior to the question of charter service being allowed to transit districts becoming a firm suggestion in your final report, that additional study and investigation be made by your office.

I would like to take this opportunity to thank you and the members of your staff for their cooperation and hospitality, both during the meetings of the Advisory Committee, and subsequent to these regular meetings. Additionally, I would like to thank your office for allowing the United Transportation Union to be a part of this Advisory Committee and offer its views and suggestions.

Very sincerely,


J. L. (Jim) Evans
State Legislative Director

JLE/dje

Office of the Auditor General

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps