

FY 2019-2021
TRIENNIAL PERFORMANCE AUDIT OF
CITY OF ELK GROVE

SUBMITTED TO



SACRAMENTO AREA COUNCIL
OF GOVERNMENTS



SUBMITTED BY

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INTERNATIONAL

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Executive Summary

The Sacramento Area Council of Governments (SACOG) engaged the Michael Baker International audit team (Michael Baker) to conduct the Transportation Development Act (TDA) triennial performance audit of the nine public transit operators under its jurisdiction. The performance audit serves to ensure accountability in the use of public transportation revenue. This performance audit is conducted for the City of Elk Grove transit system (City, Elk Grove, e-tran), covering the most recent triennial period, fiscal years 2018-19 through 2020-21.

The audit includes a review of the following areas:

- Compliance with TDA requirements
- Status of prior audit recommendations
- Transit system performance trends
- Functional review

From the review, recommendations were developed to improve the operational efficiency and effectiveness of the Elk Grove transit system.

Compliance with TDA Requirements

The City of Elk Grove fully complied with all nine applicable requirements. Two additional compliance requirements did not apply to Elk Grove (i.e., rural and blended farebox recovery ratios).

Status of Prior Audit Recommendations

Elk Grove implemented two prior audit recommendations and is in process of implementing the third. The recommendations implemented pertained to addressing the rate of preventable accidents, and conducting passenger surveys to gauge success of the Elk Grove/SacRT operations contract. The recommendation in process of implementation is the City collaborating with SacRT on the integration of e-tran into its updated Strategic Plan and Short-Range Transit Plan.

Transit System Performance Trends

1. Operating costs system-wide decreased by 12.7 percent using audited data from the FY 2018 base year to FY 2021. Fixed-route operating costs decreased by 1.4 percent while e-van paratransit costs decreased 25.7 percent using unaudited modal data. On an average annual basis, system-wide costs decreased 4.4 percent, with the highest decrease of 8.6 percent occurring in FY 2020 followed by a 4.7 percent decrease in FY 2021. This decrease can be

attributed to a reduction in City transit administrative staff in FY 2020 from 3 full time staff members to 1 full time staff member.

2. Ridership decreased 84.5 percent system-wide from 783,569 trips during the FY 2018 base year to 121,816 trips during FY 2021. The 85.2 percent decrease in fixed-route passenger trips mirrored the system-wide trend, whereas paratransit ridership decreased 56.4 percent. The decrease in ridership is attributed to the effects of COVID-19, although ridership fell 3.7 percent from FY 2018 to FY 2019, which reflects a continual downward trend seen over the previous audit period as well.
3. The provision of vehicle service hours and miles decreased system-wide from the FY 2018 base year to FY 2021. Vehicle service hours decreased 24.9 percent and vehicle service miles decreased 25 percent. At the modal level, fixed-route service hours decreased 16.7 percent while service miles decreased by 18.3 percent. Paratransit service hours increased by 54.9 percent while service miles decreased by 60.6 percent. Service had been cut in response to the COVID-19 pandemic, which reflects this decrease seen system-wide. For comparison system-wide, from FY 2018 to FY 2019, vehicle service hours decreased only 2.7 percent and vehicle service miles only 2.3 percent while from FY 2020 to FY 2021 vehicle service hours decreased 16.1 percent and vehicle service hours 17.1 percent.
4. Operating cost per passenger, an indicator of cost effectiveness, increased more than fivefold system-wide from \$11.46 during the FY 2018 base year to \$64.31 during FY 2021. Cost per passenger increased 567.3 percent on fixed route and increased 70.4 percent on the paratransit service. This drastic increase can be attributed to the effects of COVID-19 on ridership with a decrease of 84.5 percent whereas operating costs only decreased 12.7 percent. From FY 2018 to FY 2019 operating cost per passenger increased 4 percent whereas from FY 2020 to FY 2021 operating cost per passenger increased 366 percent.
5. Operating cost per hour, an indicator of cost efficiency, increased 16.2 percent system-wide from \$124.29 during the FY 2018 base year to \$144.42 during FY 2021. The indicator increased by 18.5 percent on fixed route and increased 64.8 percent on e-van paratransit. The trend is reflective of the reduction of service during the COVID-19 pandemic where vehicle service hours decreased at nearly double the rate of operating costs.
6. Pursuant to the TDA, the City is subject to a 20 percent farebox ratio for fixed route and 10 percent for elderly and disabled service modes. For the three-year audit period, Elk Grove's system-wide farebox recovery ratio was 14.05 percent in FY 2019; 12.77 percent in FY 2020; and 2.89 percent in FY 2021.¹ It is noted that the audited farebox ratio in FY 2021 was adversely impacted from the COVID-19 pandemic and state shelter-in-place order, which resulted in a 90 percent decrease in ridership. However, pursuant to SACOG's regional farebox

¹ Assembly Bill 90, passed into law and signed by the governor in June 2020 in response to the COVID-19 pandemic impacts, prohibits the imposition of penalties on a transit operator that does not maintain the required ratio of fare revenues to operating cost during FY 2019–20 or FY 2020–21.

policy, AB 432 (PUC Section 99270.6) states that fares collected by all the transit operators in Sacramento County are counted as a whole to meet a region-wide farebox recovery ratio. This regional ratio was met.

Detailed Functional Review

1. The transit system underwent a change in contract operators preceding e-tran being annexed into the Sacramento Regional Transit District (SacRT). In an eventual move toward annexation, the City of Elk Grove contracted with SacRT for the operation and maintenance of e-tran and e-van services effective July 1, 2019.
2. As impacts from the novel coronavirus (COVID-19) started to be realized in California, a state of emergency was declared on March 4, 2020. The first COVID-19 case in Sacramento County was reported February 2020. Passenger demand dropped beginning in February 2020. Prior to the pandemic, e-tran had strong commuter demand between Elk Grove and downtown Sacramento. The commuter route made up one-half of the system's ridership. The pandemic resulted in a 93–94 percent decline in ridership.
3. Vehicle maintenance and storage are conducted from the Corporation Yard on Iron Rock Way. The entrance is accessed from Elkmont Way. The facility has three service doors and four portable lifts. A dedicated service bay is able to accommodate the 40-foot buses. Upon the transfer of operations, SacRT brought in an inspector to inspect the fleet. MV Transportation exceeded expectations in the closeout of their contract with the City.
4. There were plans to zero-out the reserve balance by FY 2021-22 through a combination of reduced service hours from the restructured service and new flow of revenue from Senate Bill 1 (SB 1), which increased state transit revenue. However, the City's transit fund continued to incur a negative fund balance toward the end of the audit period. The City has been applying rent payments from SacRT's use of the Corporation Yard toward the negative fund balance.
5. Elk Grove's most recent Federal Transit Administration (FTA) triennial review was conducted in 2019 and included site visits on September 17-18, 2019. The review examined compliance in 21 areas. No deficiencies were found with the FTA requirements in any areas. The final review was issued on October 25, 2019.

Recommendations

Performance Audit Recommendation	Background	Timeline
1. Ensure that the performance standards in the operations contract continue to be upheld.	<p>In an eventual move toward annexation, the City of Elk Grove contracted with Sacramento Regional Transit District (SacRT) for the operation and maintenance of e-tran and e-van services effective July 1, 2019. SacRT had first approached the City about operating the service in April 2017. In December 2018, the City Council directed staff to initiate contract negotiations with SacRT. Pursuant to the service contract, if the City determined that SacRT's performance for the first year of the contract exceeded the performance of the City's previous contract, the City would consider annexation. The City had to bring SacRT up to speed on the City's expectations for performance monitoring. Given that SacRT met the City's previous contractor's performance, Elk Grove decided to annex into SacRT effective July 1, 2021. In the interim, SacRT's operation in Elk Grove has continued under the e-tran branding as well as the utilization of the operations and maintenance facility at the City Corporation Yard. As a measure of continuity, accountability, and working in good faith, it is recommended that the City continue ongoing oversight of SacRT as per the terms of the operations contract including annual reporting and tracking of performance measures to help assure residents of seamless service delivery.</p>	High Priority

Section I

Introduction

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

The Sacramento Area Council of Governments (SACOG) engaged the Michael Baker International audit team (Michael Baker) to conduct the TDA triennial performance audit of the nine public transit operators under its jurisdiction. This performance audit is conducted for the City of Elk Grove transit system (City, Elk Grove, e-tran), covering the most recent triennial period, fiscal years 2018-19 through 2020-21.

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

In summary, this TDA audit affords the opportunity for an independent, constructive, and objective evaluation of the organization and its operations that otherwise might not be available. The methodology for the audit included interviews via videoconference platform with e-tran’s administration and management, collection and review of agency documents, and data evaluation.² The *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, published by the California Department of Transportation (Caltrans), was used to guide in the development and conduct of the audit.

Overview of the Transit System

Prior to 2005, public transit services in Elk Grove were provided by the Sacramento Regional Transit District (SacRT). These services were provided under a contract that was set to expire in June 2004. In 2003, the City decided to create and administer its own transit system to replace the services being provided by SacRT. The new transit service branded “e-tran,” began operations on January 2, 2005, and replaced SacRT Routes 52, 53, 57, 59, 60, and 66. Initial routes were essentially unchanged when e-tran took over the service.

² For this engagement, videoconferencing was employed in lieu of on-site visitation as part of this audit’s methodology.

Effective July 2019, SacRT began operating the transit service under contract with Elk Grove as part of a transition plan towards annexing the City back into the district. Effective July 2021, SacRT annexed e-tran, making it a part of the SacRT district. Under the annexation agreement, SacRT provides fixed-route local, commuter, and paratransit services, and maintenance operations for Elk Grove. As part of the agreement, service levels are maintained or improved and there are no short-term plans to make changes to the existing bus service, or fares.

Elk Grove, approximately 15 miles south of Sacramento, was an unincorporated community in Sacramento County until 2000, when it incorporated and became the second largest city in the county. While the western and central parts of Elk Grove have experienced significant growth and urbanization in recent years, the eastern portion of the city retains the rural character that once typified the entire community. Elk Grove is bordered on the west by Interstate 5 (I-5) and is bisected by State Route 99 (SR 99). Major transportation corridors in the city include Laguna Boulevard/Bond Road and Elk Grove Boulevard (east–west streets), and Bruceville Road, Elk Grove Florin Road, and Waterman Road (north–south streets).

According to the 2020 US Census, the city’s population was 176,124, a 15.1 percent increase from the 2010 Census. The senior citizen population based on the latest census, comprising residents aged 65 and over, is 12.3 percent. The California Department of Finance 2022 estimate reports a population of 176,972, a slight increase relative to the 2020 Census figure.

System Characteristics

Elk Grove’s transit system is composed of three service modes: local fixed route, commuter, and Americans with Disabilities Act (ADA) paratransit. All route information below was in effect during the audit period prior to COVID-19. A summary of e-tran routes is presented in Table I-1.

Local: e-tran operates seven local fixed routes, four of which continue to operate on Saturdays. Service is available between 6:06 a.m. and 10:06 p.m. on weekdays and between 6:27 a.m. and 6:23 p.m. on Saturdays. No service is provided on Sundays or holidays. Local fixed routes 110, 113, 114, and 116 operate on Saturdays.

Commuter: e-tran operates 10 commuter fixed routes with one reverse commute route between Elk Grove, downtown Sacramento, and the SacRT Butterfield Light Rail Station adjacent to the Franchise Tax Board offices. Service is available between 4:45 a.m. and 6:48 p.m. on weekdays. No service is provided on weekends or holidays.

Table I-1
e-tran Fixed and Commuter Route Network

Route Number	Destination	Service Mode
10	Big Horn Blvd. & Civic Center Drive (via Calvine Rd. & Hwy 99)	Commuter
11	Franklin High Road & Whitelock Parkway	Commuter
12	Big Horn Blvd. & Civic Center Dr. (via Laguna Blvd & I-5)	Commuter

Route Number	Destination	Service Mode
13	Elkmont Way & Iron Rock Way	Commuter
14	Big Horn Blvd. & Bruceville Rd.	Commuter
15	Bond Rd. & Bradshaw Rd.	Commuter
16	Elk Grove Blvd. & Clarke Farms Dr.	Commuter
17	Calvine Rd. & Armand George Way	Commuter
18	Lingleaf Drive & Laguna Blvd.	Commuter
19	Laguna Blvd. & Harbor Point Drive	Commuter
110	Promenade Parkway & Kaiser to Cosumnes River College	Local
111	Vaux Ave. & Laguna Main St. to Big Horn Blvd. & Civic Center Dr. (via Harbour Point Drive)	Local
112	Vaux Ave. & Laguna Main St. to Big Horn Blvd. & Civic Center Dr. (via Franklin Blvd.)	Local
113	Vaux Ave. & Laguna Main St. to Elkmont Way & Iron Rock Way	Local
114	Vaux Ave. & Laguna Main St. to Armand George Way & Calvin Road	Local
115	Elk Grove Blvd. & Clarke Farms Dr. to Cosumnes River College (via Bond Rd., Shelton Rd.)	Local
116	Elk Grove Blvd. & Clarke Farms Dr. to Cosumnes River College (via Elk Grove Blvd., Bruceville Rd.)	Local

Source: e-tran 2019

E-tran local routes do not operate on the following federal holidays: New Year's Day, Martin Luther King Jr. Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving, and Christmas. Commuter routes do not operate on weekends and on the following holidays: New Year's Day (actual and observed), Martin Luther King Jr. Day, Presidents' Day, Memorial Day, Independence Day (actual and observed), Labor Day, Veterans Day (actual and observed), Thanksgiving, the day after Thanksgiving, and Christmas Day (actual and observed).

E-van – ADA Paratransit: E-van provides complementary ADA paratransit and shared ride services within the City of Elk Grove and to medical facilities in South Sacramento. This service is for persons certified as unable to utilize e-tran due to their functional ability. Service is available between 5:30 a.m. and 10:30 p.m. on weekdays and between 7:00 a.m. and 6:00 p.m. on Saturdays and Sundays. No service is provided on holidays.

Travel on e-van is by advance reservation only. Reservations are made by calling the e-van customer service center and can be made two days in advance. E-van does not accept same day reservations.

Fares

E-tran's fares are structured accordingly to passenger category and fare media type, as shown in Table I-2.

Table I-2
e-tran Fare Structure

Fixed Route	Cash	Day Pass	10-Ride	Monthly Unrestricted Pass	Monthly Local Pass
Basic Fare	\$2.25	\$6.00	\$22.50	\$100.00	\$80.00
Military/Senior/Medicare/Disabled/Student (5-18)	\$1.10	\$3.00	\$11.00	\$50.00	\$40.00

Source: e-tran

The Monthly Unrestricted Pass can be used on any fixed-route service. The Monthly Local Pass can only be used on local and reverse commuter fixed-route services. Riders may purchase e-tran transfers when boarding buses for \$0.50. Transfers are valid for 120 minutes and may only be used once. They must be surrendered to the bus operator upon boarding another e-tran route or the end of the time limit.

E-tran accepts all SacRT tickets and passes, including mobile tickets and light rail passes as of 2021 (previously not accepted). E-tran 10-ride passes are only available through the mail, online, or at Elk Grove City Hall.

A person holding a Los Rios Community College District student access card, CSU Sacramento One Card, City of Elk Grove employee or dependent ID card, or SacRT employee or dependent ID card may ride free provided that the card and sticker are current. All participating passes are subject to change at the discretion of the City of Elk Grove.

The e-van fare structure is shown in Table I-3. All passes are good for trips within the City of Elk Grove and to medical facilities in South Sacramento.

Table I-3
e-van Fare Structure

Fare	Description
\$3.50	Single Ride
\$35.00	10-Ride Pass (for trips that begin and end ONLY within the City of Elk Grove)
\$150.00	Monthly (capped at 44 rides)

Source: e-van

Fleet

The City's public transit fleet comprised a total of 56 revenue vehicles. Fixed-route vehicles total 46, while 10 are demand-response vehicles. The transit fleet also contained one non-revenue vehicle used for fleet support. The entire revenue fleet utilized compressed natural gas (CNG) fuel. Table I-4 shows the e-tran vehicle fleet.

**Table I-4
Revenue Vehicle Fleet**

Year	Make & Model	Quantity	Fuel Type	Service Mode	Seating Capacity
2008	Orion VII	8	CNG	Fixed Route	39 (2 W/C)
2010	New Flyer C40LFR	8	CNG	Fixed Route	40 (2 W/C)
2011	New Flyer C40LFR	6	CNG	Fixed Route	40 (2 W/C)
2014	New Flyer Xcel	3	CNG	Fixed Route	40 (2 W/C)
2015	New Flyer XN40	8	CNG	Fixed Route	40 (2 W/C)
2017	Ford Starcraft	2	CNG	Paratransit	18 (4 W/C)
2018	New Flyer XN40	5	CNG	Fixed Route	40 (2 W/C)
2018	Ford Starcraft	4	CNG	Paratransit	18 (4 W/C)
2019	Ford Starcraft	4	CNG	Paratransit	18 (4 W/C)
2020	New Flyer XN40	8	CNG	Fixed Route	40 (2 W/C)
Total		56			

Source: City of Elk Grove Master Fleet Inventory as of June 30, 2021

Fleet Facilities

E-tran and e-van were operated out of the City of Elk Grove's operations and maintenance facility at the Corporation Yard located at 10250 Iron Rock Way in Elk Grove. The contractor leased the facility from the City. The 5-acre facility consists of vehicle parking and staging areas, vehicle maintenance area, farebox vaulting and probing, administrative offices, training area, driver staging area, dispatching and customer service center, and vehicle wash bay. Since annexation, SacRT assumed the lease from the prior contractor under an eight-year licensed agreement.

Section II

Operator Compliance Requirements

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

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
The transit operator submitted annual reports to the RTPA based upon the Uniform System of Accounts and Records established by the State Controller. Report is due within seven (7) months after the end of the fiscal year (on or before January 31). The report shall contain underlying data from audited financial statements prepared in accordance with generally accepted accounting principles, if this data is available.	Public Utilities Code, Section 99243	<p>Completion/submittal dates:</p> <p><i>For Fixed Route:</i></p> <p>FY 2019: January 28, 2020 FY 2020: January 27, 2021 FY 2021: December 14, 2021</p> <p><i>For Specialized Services:</i></p> <p>FY 2019: January 28, 2020 FY 2020: January 28, 2021 FY 2021: December 14, 2021</p> <p>Conclusion: Complied.</p>
The operator has submitted annual fiscal and compliance audits to the RTPA and to the State Controller within 180 days following the end of the fiscal year (Dec. 27) or has received the appropriate	Public Utilities Code, Section 99245	<p>Completion/submittal dates:</p> <p>FY 2019: February 19, 2020 FY 2020: December 21, 2020 FY 2021: February 23, 2022</p> <p>The FY 2019 and FY 2021 annual fiscal and compliance audits were</p>

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
90-day extension by the RTPA allowed by law.		<p>submitted within the 90-day extension period by the RTPA as allowed by law.</p> <p><i>Source: City of Elk Grove Transit Fund Audited Financial Statements and Compliance Reports</i></p> <p>Conclusion: Complied.</p>
The CHP has, within the 13 months prior to each TDA claim submitted by an operator, certified the operator's compliance with Vehicle Code Section 1808.1 following a CHP inspection of the operator's terminal.	Public Utilities Code, Section 99251 B	<p>Through its contract operators, MV Transportation and SacRT, Elk Grove participated in the California Highway Patrol (CHP) Transit Operator Compliance Program, in which the CHP conducted inspections within the 13 months prior to each TDA claim. Inspections took place at the e-tran operations and maintenance facility at the City of Elk Grove Corporation Yard located at 10250 Iron Rock Way, Suite 200 in Elk Grove.</p> <p>Inspection dates applicable to the audit period were November 13-15, 2018; December 3 & 6, 2019; and December 7 & 10, 2020.</p> <p>Elk Grove received a preferred carrier designation, which allows for the CHP to only inspect half of the fleet. Inspections were found to be satisfactory.</p> <p>Conclusion: Complied.</p>

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
The operator's claim for TDA funds is submitted in compliance with rules and regulations adopted by the RTPA for such claims.	Public Utilities Code, Section 99261	As a condition of approval, Elk Grove's annual claims for Local Transportation Funds and State Transit Assistance are submitted in compliance with the rules and regulations adopted by SACOG. Conclusion: Complied.
If an operator serves urbanized and non-urbanized areas, it has maintained a ratio of fare revenues to operating costs at least equal to the ratio determined by the rules and regulations adopted by the RTPA.	Public Utilities Code, Section 99270.1	This requirement is not applicable to Elk Grove's transit system, which only serves an urbanized area. Conclusion: Not applicable.
The operator's operating budget has not increased by more than 15% over the preceding year, nor is there a substantial increase or decrease in the scope of operations or capital budget provisions for major new fixed facilities unless the operator has reasonably supported and substantiated the change(s).	Public Utilities Code, Section 99266	Percentage change in Elk Grove's operating budget: FY 2019: +2.1% FY 2020: -5.4% FY 2021: -2.9% <i>Source: City of Elk Grove Annual Budgets for FY 2018-2021</i> Conclusion: Complied.
The operator's definitions of performance measures are consistent with Public Utilities Code Section 99247, including (a) operating cost, (b) operating cost per	Public Utilities Code, Section 99247	A review of driver trip sheets and the operating data from the Transit Operators' Financial Transactions Reports indicate overall compliance. Revenue hours and miles are monitored in the Solutions for Transit data

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
passenger, (c) operating cost per vehicle service hour, (d) passengers per vehicle service hour, (e) passengers per vehicle service mile, (f) total passengers, (g) transit vehicle, (h) vehicle service hours, (i) vehicle service miles, and (j) vehicle service hours per employee.		analysis software program. The monthly invoice reports received from the contract operator are used for verification purposes. Metrics from the Comprehensive Operational Analysis (COA) have been established. Conclusion: Complied.
If the operator serves an urbanized area, it has maintained a ratio of fare revenues to operating costs at least equal to one-fifth (20 percent), unless it is in a county with a population of less than 500,000, in which case it must maintain a ratio of fare revenues to operating costs of at least equal to three-twentieths (15 percent), if so determined by the RTPA.	Public Utilities Code, Sections 99268.2, 99268.3, 99268.12, 99270.1	Elk Grove is subject to a 20 percent farebox ratio for fixed route and 10 percent for elderly and disabled service modes. The system's fare ratios are as follows: FY 2019: 14.05% FY 2020: 12.77% FY 2021: 2.89% Pursuant to SACOG's regional farebox policy, AB 432 (PUC Section 99270.6) states that fares collected by all the transit operators in Sacramento County are counted as a whole to meet a region-wide farebox recovery ratio. This regional ratio was met. To make a determination that operators achieved the minimum required farebox recovery ratio through this composite ratio method, SACOG must find that the public transportation services of the county transit operators are coordinated. In June 2013,

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
		<p>the SACOG Board approved the finding that public transportation services in Sacramento County are coordinated.</p> <p><i>Source: FY 2019–2021 City of Elk Grove Transit Fund Audited Financial Statements and Compliance Reports</i></p> <p>Conclusion: Complied.</p>
If the operator serves a rural area, or provides exclusive services to elderly and disabled persons, it has maintained a ratio of fare revenues to operating costs at least equal to one-tenth (10 percent).	Public Utilities Code, Sections 99268.2, 99268.4, 99268.5	<p>This requirement is not applicable to Elk Grove, which only serves an urbanized area.</p> <p>Conclusion: Not applicable.</p>
The current cost of the operator’s retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing a plan approved by the RTPA which will fully fund the retirement system within 40 years.	Public Utilities Code, Section 99271	<p>Elk Grove contributes to its employees’ retirement through the California Public Employees Retirement System (CalPERS) as well as a 457 deferred compensation plan, while the contract operator provides its own retirement plan. To be eligible for TDA funds, the annual TDA claims form requires a sign-off from the transit claimant to comply with standard assurances, one of which is that the agency’s retirement system is funded.</p> <p>Conclusion: Complied.</p>
If the operator receives state transit assistance	California Code of Regulations, Section 6754(a)(3)	Elk Grove utilizes federal funds that are available to the agency,

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
<p>funds, the operator makes full use of funds available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted.</p>		<p>as reported in the National Transit Database (NTD) as follows:</p> <p>FY 2019: \$1,408,791 (operations) \$384,000 (capital)</p> <p>FY 2020: \$1,435,207 (operations)</p> <p>FY 2021: \$1,542,678 (operations) \$3,084,720 (capital)</p> <p><i>Source: Form F-10, National Transit Database</i></p> <p>Conclusion: Complied.</p>

Findings and Observations from Operator Compliance Requirements Matrix

1. The City of Elk Grove fully complied with all nine applicable requirements. Two additional compliance requirements did not apply to Elk Grove (i.e., rural and blended farebox recovery ratios).
2. Pursuant to the TDA, the City is subject to a 20 percent farebox ratio for fixed route and 10 percent for elderly and disabled service modes. For the three-year audit period, Elk Grove's system-wide farebox recovery ratio was 14.05 percent in FY 2019; 12.77 percent in FY 2020; and 2.89 percent in FY 2021.³ It is noted that the audited farebox ratio in FY 2021 was adversely impacted from the COVID-19 pandemic and state shelter-in-place order, which resulted in a 90 percent decrease in ridership. However, pursuant to SACOG's regional farebox policy, AB 432 (PUC 99270.6) states that fares collected by all the transit operators in Sacramento County are counted as a whole to meet a region-wide farebox recovery ratio. This regional ratio was met.
3. Through its contract operator, Elk Grove participates in the CHP Transit Operator Compliance Program and received vehicle inspections within the 13 months prior to each TDA claim. Satisfactory ratings were made for all inspections conducted during the audit period.
4. The operating budget exhibited modest fluctuations during the audit period. There was an increase of 2.1 percent in FY 2019 followed by a 5.4 percent decrease in FY 2020. For FY 2021, there was a 2.9 percent decrease.

³ Assembly Bill 90, passed into law and signed by the governor in June 2020 in response to the COVID-19 pandemic impacts, prohibits the imposition of penalties on a transit operator that does not maintain the required ratio of fare revenues to operating cost during FY 2019–20 or FY 2020–21.

Section III

Prior Triennial Performance Recommendations

Elk Grove's efforts to implement the recommendations made in the prior triennial audit are examined in this section of the report. For this purpose, each prior recommendation for the agency is described, followed by a discussion of Elk Grove's efforts to implement the recommendation. Conclusions concerning the extent to which the recommendations have been adopted by the agency are then presented.

Prior Recommendation 1

Address the increased rate of preventable accidents. (High priority)

Background: The rate of preventable accidents doubled over the previous three-year audit period while the number of revenue hours and miles operated marginally increased or decreased. This indicated a greater frequency of preventable accidents for the service. The trend in accidents could be from a combination of factors including driver turnover, more traffic congestion, and driving new routes from the COA implementation. Training, retraining, and safety protocols should be evaluated with the contractor. With the change in contract provider to SacRT, lessons learned from the prior contractor should be offered by City transit staff so that different operations, training, and safety protocols can be put in place. The City should closely monitor this performance and obtain data from SacRT regularly, including number of preventable accidents, detailed description of each incident, and retraining procedures.

Actions taken by Elk Grove

Elk Grove has followed this recommendation and has been monitoring accidents and reporting them monthly. Following SacRT taking over as operator of the e-tran services, monthly reports show a decrease in the occurrence of preventable accidents. These reports include details such as preventability of accident, description of accident, number of driver offenses, if retraining was implemented, etc. This decrease can also be attributed to an increase in operator training, safety meetings, and a reduction in service and traffic in relation to the COVID-19 pandemic.

Conclusion

This recommendation has been implemented.

Prior Recommendation 2

Collaborate on integrating e-tran in the update of the SacRT Strategic Plan and Short-Range Transit Plan (S RTP). (High priority)

Background: Elk Grove moved forward with its new partnership with SacRT to have SacRT operate e-tran bus service under contract beginning July 1, 2019. SacRT first approached the City about operating the service in April 2017. In December 2018, the City Council directed staff to initiate contract negotiations with SacRT, offering a partnership with potential of leading toward further integration.

Prior to the development and adoption of the COA, the City of Elk Grove SRTP, updated in October 2013, was the only other planning document. As SacRT implements SacRT Forward, there is potential for Elk Grove to be included in the longer-term vision, including the Strategic Plan update that will establish a vision of the region's public transportation system and strategies for attaining that vision. SacRT last updated its Strategic Plan in January 2015 and last amended its SRTP on November 10, 2014.

With the completion of SacRT Forward and recent contract operations changes for e-tran, Elk Grove transit management and SacRT should further collaborate to address the e-tran system within the SacRT Strategic Plan and SRTP update. Completing these plans will enable both Elk Grove and SacRT to focus and prioritize efforts to sustain the current momentum to improve customer service and promote ridership.

Actions taken by Elk Grove

Following the FY 2016-2018 Triennial Performance Audit of the City of Elk Grove's transit service, the City participated in the SacRT Forward plan per the previous audit's recommendation. Beginning July 1, 2019, SacRT began operating the service under contract with full annexation occurring on July 1, 2021. Throughout the audit period, City transit spent time conducting analysis on the integration of the transit services.

Following the audit period and its annexation, SacRT has begun working on its latest SRTP plan "SacRT On The Move" which continues the goals of its SacRT Forward project. This SRTP will cover FY 2022-2027. This SRTP has a section on the Elk Grove bus services, which includes the mutual goals for annexation including safeguarding equivalent or better public transit service levels in the City in the future; enhanced competitiveness for regional, state, and federal funding to achieve regionally beneficial projects such as zero emission vehicle replacement; increased transit service frequency and coverage, including express bus and microtransit service; and progression of the Blue Line from Cosumnes River College into Elk Grove.

Conclusion

This recommendation is in process of being implemented.

Prior Recommendation 3

Conduct passenger surveys to gauge the success of the Elk Grove/SacRT operations contract. (Medium priority)

Background: During the development and implementation of the COA service plan, the City conducted a robust public outreach effort that included surveys, a web-based forum, and transit ambassadors at park and ride lots around the city. The COA implementation was the first significant service change to the e-tran route network since its establishment in 2005. With SacRT assuming operations of e-tran service under contract, it was recommended that the City and SacRT conduct passenger and community surveys to gauge the success of the City/contract operator partnership. The surveys would inform the City about the customers' experience with the new contract operator and customer-facing improvements from this new relationship. Heavy consideration should be given to customer feedback in future scenarios.

Actions taken by Elk Grove

Per the previous audit recommendations, the City conducted surveys to stay informed on their customers' experience with the transition of operations to SacRT and gauge its overall success. In 2020, the City conducted surveys on both e-tran and e-van services to specifically evaluate the quality of service before and after July 2019 when SacRT began operating service for the City. These surveys included a numbered rating system from "worse" to "better" on topics such as on-time service reliability, safe driving performance, and cleanliness, as well as which services they use and for how long they have been a rider. These surveys found that overall, riders found service to either have remained the same or improved following SacRT being contracted to operate services. These results helped inform and lead to the decision for the full transition and annexation of services to SacRT beginning July 2021.

Conclusion

This recommendation has been implemented.

Section IV

TDA Performance Indicators

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

Tables IV-1 through IV-3 provide the performance indicators for Elk Grove system-wide, e-tran fixed route, and e-van. Graphs following depict the trends in the indicators.

Table IV-1
Elk Grove TDA Performance Indicators
System-wide

			Audit Period			
Performance Data and Indicators	FY 2018		FY 2019	FY 2020	FY 2021	% Change FY 2018- 2021 ²
Operating Cost ¹	\$8,976,055		\$8,986,794	\$8,217,062	\$7,833,858	-12.7%
Total Passengers	783,569		754,871	595,295	121,816	-84.5%
Vehicle Service Hours	72,216		70,302	64,639	54,245	-24.9%
Vehicle Service Miles	1,025,867		1,002,107	927,938	769,566	-25.0%
Employee FTEs	120		91	82	71	-40.8%
Passenger Fares	\$1,319,149		\$1,262,349	\$1,049,077	\$226,069	-82.9%
Operating Cost per Passenger	\$11.46		\$11.91	\$13.80	\$64.31	461.4%
Operating Cost per Vehicle Service Hour	\$124.29		\$127.83	\$127.12	\$144.42	16.2%
Operating Cost per Vehicle Service Mile	\$8.75		\$8.97	\$8.86	\$10.18	16.3%
Passengers per Vehicle Service Hour	10.9		10.7	9.2	2.2	-79.3%
Passengers per Vehicle Service Mile	0.76		0.75	0.64	0.16	-79.3%
Vehicle Service Hours per Employee	601.8		772.5	788.3	764.0	27.0%
Average Fare per Passenger	\$1.68		\$1.67	\$1.76	\$1.86	10.2%
Fare Recovery Ratio	14.70%		14.05%	12.77%	2.89%	-80.4%
Consumer Price Index - (CPI-CA)			3.0%	1.7%	4.2%	9.1%

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

¹ Systemwide audited operating costs exclude depreciation.

² Percentages are based on the data inputs in the table and do not reflect the rounding of the performance indicators.

Table IV-2
Elk Grove TDA Performance Indicators
Fixed Route and Commuter

Performance Data and Indicators	FY 2018		Audit Period			% Change FY 2018- 2021 ¹
			FY 2019	FY 2020	FY 2021	
Operating Cost	\$7,840,298		\$7,793,500	\$7,373,646	\$7,733,730	-1.4%
Total Passengers	762,785		734,491	579,715	112,748	-85.2%
Vehicle Service Hours	56,806		55,961	54,020	47,295	-16.7%
Vehicle Service Miles	863,149		842,219	813,164	705,454	-18.3%
Employee FTEs	108		74	69	61	-43.5%
Passenger Fares	\$1,219,446		\$1,150,094	\$978,876	\$165,991	-86.4%
Operating Cost per Passenger	\$10.28		\$10.61	\$12.72	\$68.59	567.3%
Operating Cost per Vehicle Service Hour	\$138.02		\$139.27	\$136.50	\$163.52	18.5%
Operating Cost per Vehicle Service Mile	\$9.08		\$9.25	\$9.07	\$10.96	20.7%
Passengers per Vehicle Service Hour	13.4		13.1	10.7	2.4	-82.2%
Passengers per Vehicle Service Mile	0.88		0.87	0.71	0.16	-81.9%
Vehicle Service Hours per Employee	526.0		756.2	782.9	775.3	47.4%
Average Fare per Passenger	\$1.60		\$1.57	\$1.69	\$1.47	-7.9%
Fare Recovery Ratio	15.55%		14.76%	13.28%	2.15%	-86.2%
Consumer Price Index - (CPI-CA)			3.0%	1.7%	4.2%	9.1%

Source: National Transit Database, Transit Operator Financial Transactions Report

¹Percentages are based on the data inputs in the table and do not reflect the rounding of the performance indicators.

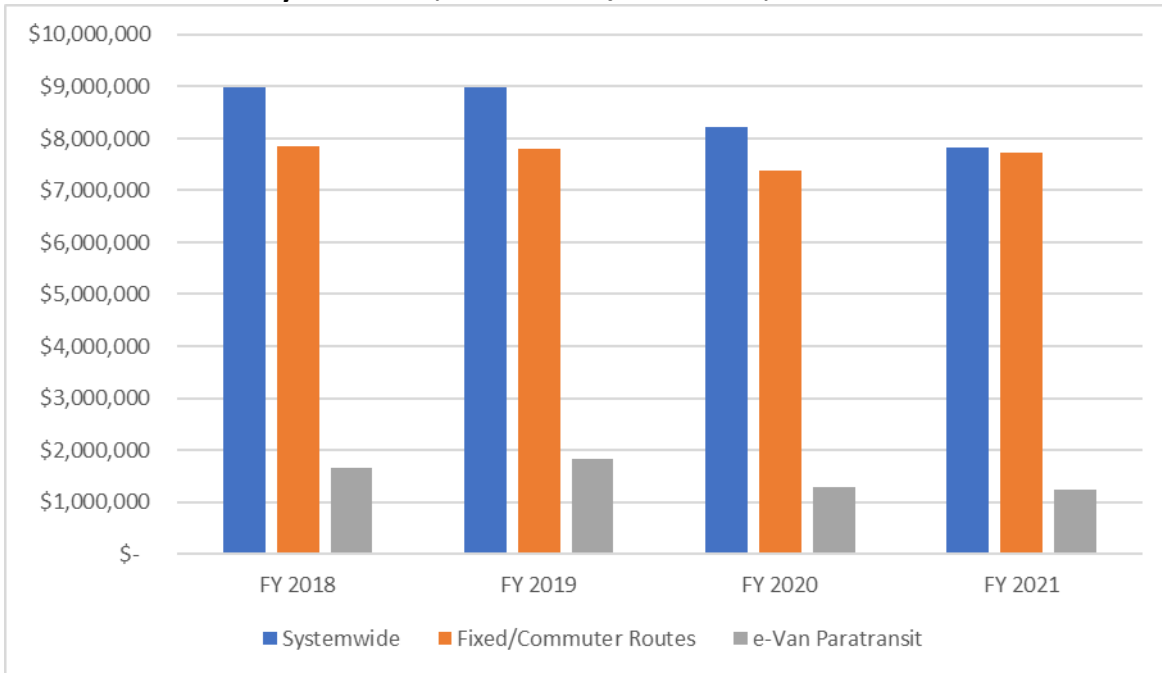
Table IV-3
Elk Grove TDA Performance Indicators
e-van Paratransit

Performance Data and Indicators	FY 2018		Audit Period			% Change FY 2018-2021 ¹
			FY 2019	FY 2020	FY 2021	
Operating Cost	\$1,663,881		\$1,830,734	\$1,288,739	\$1,236,692	-25.7%
Total Passengers	20,784		20,380	15,580	9,068	-56.4%
Vehicle Service Hours	15,410		14,341	10,619	6,950	-54.9%
Vehicle Service Miles	162,718		159,888	114,774	64,112	-60.6%
Employee FTEs	12		17	13	10	-16.7%
Passenger Fares	\$99,703		\$112,254	\$70,202	\$60,079	-39.7%
Operating Cost per Passenger	\$80.06		\$89.83	\$82.72	\$136.38	70.4%
Operating Cost per Vehicle Service Hour	\$107.97		\$127.66	\$121.36	\$177.94	64.8%
Operating Cost per Vehicle Service Mile	\$10.23		\$11.45	\$11.23	\$19.29	88.6%
Passengers per Vehicle Service Hour	1.3		1.4	1.5	1.3	-3.3%
Passengers per Vehicle Service Mile	0.13		0.13	0.14	0.14	10.7%
Vehicle Service Hours per Employee	1,284.2		843.6	816.8	695.0	-45.9%
Average Fare per Passenger	\$4.80		\$5.51	\$4.51	\$6.63	38.1%
Fare Recovery Ratio	5.99%		6.13%	5.45%	4.86%	-18.9%
Consumer Price Index - (CPI-CA)			3.0%	1.7%	4.2%	9.1%

Source: National Transit Database, Transit Operator Financial Transactions Report

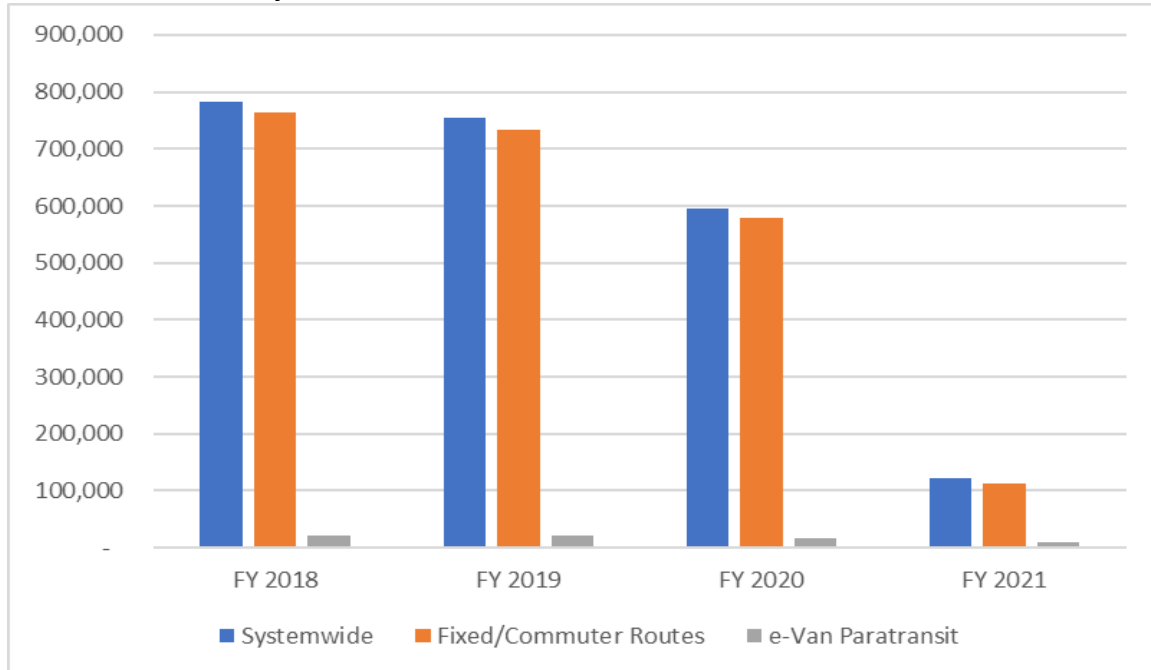
¹Percentages are based on the data inputs in the table and do not reflect the rounding of the performance indicators.

Graph IV-1
Operating Costs
System-wide, Fixed Route/Commuter, and e-van

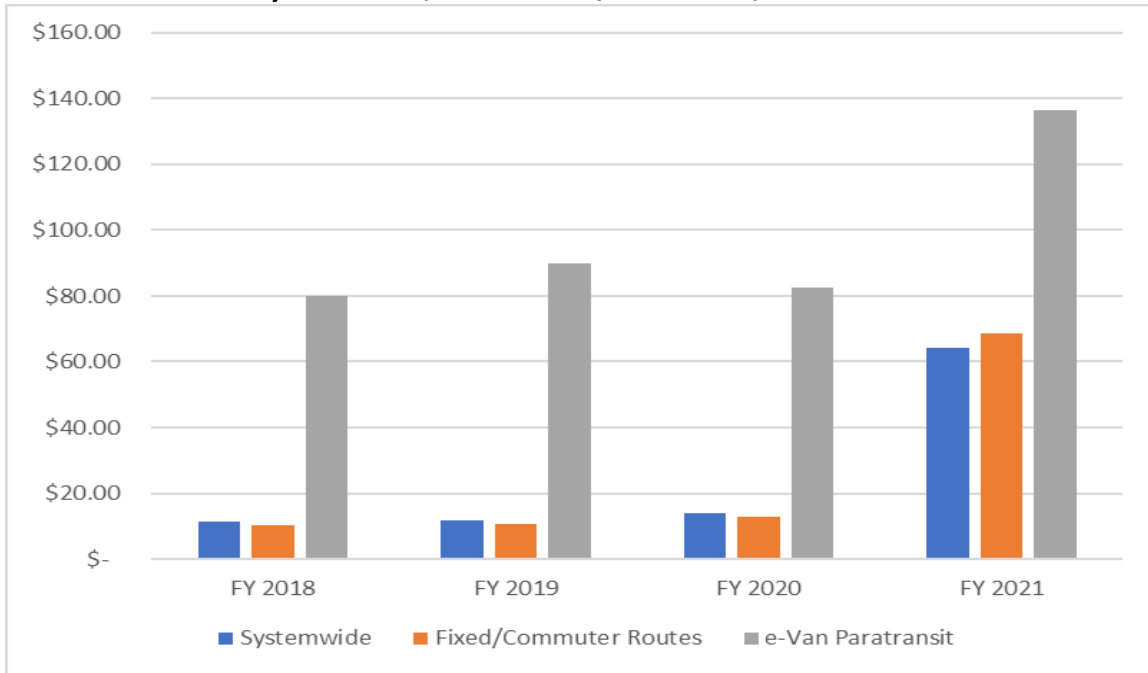


Note: System-wide cost is audited data; modal cost is unaudited.

Graph IV-2
Ridership
System-wide, Fixed Route/Commuter, and e-van

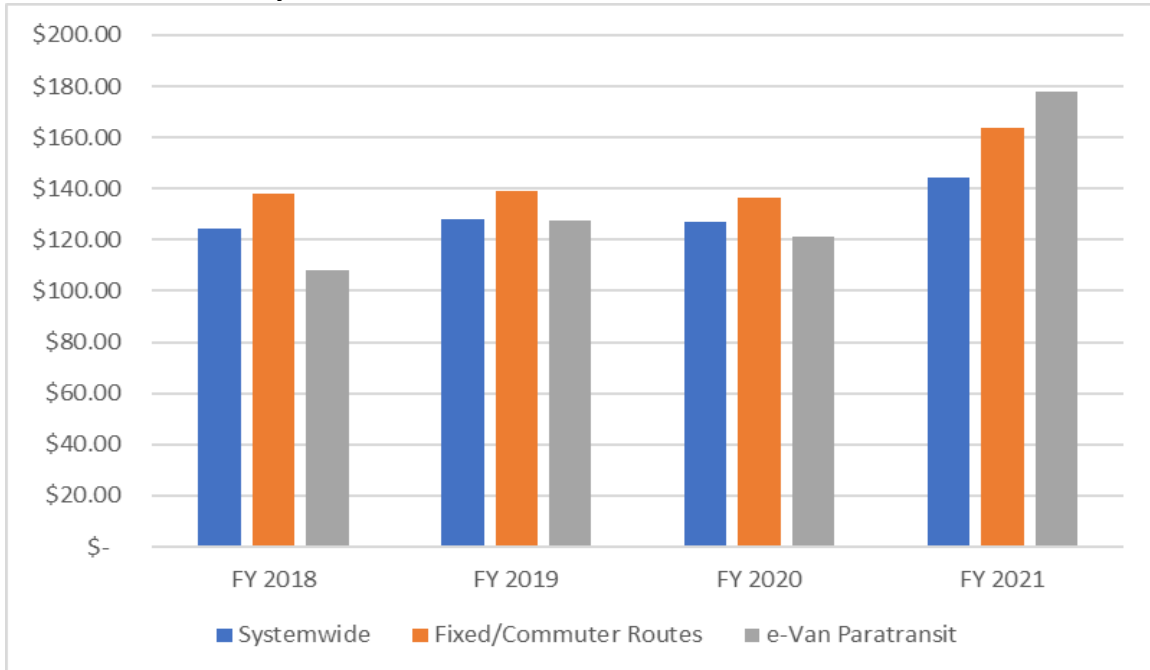


Graph IV-3
Operating Cost per Passenger
System-wide, Fixed Route/Commuter, and e-van



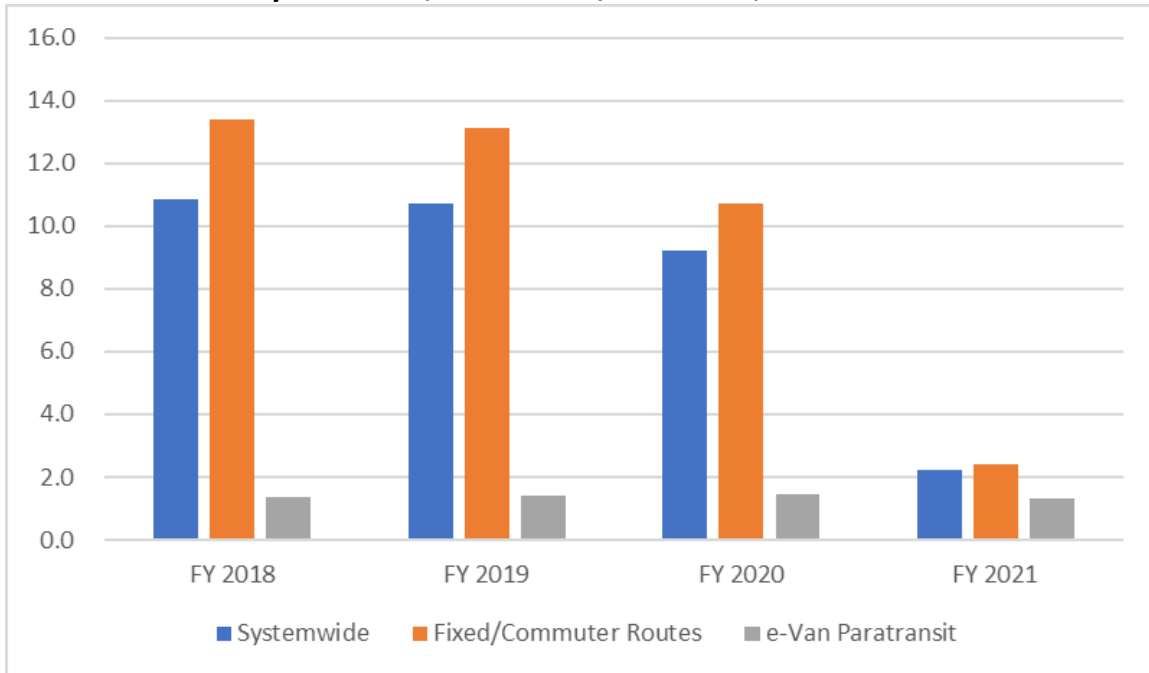
Note: System-wide cost is audited data; modal cost is unaudited.

Graph IV-4
Operating Cost per Vehicle Service Hour
System-wide, Fixed Route/Commuter, and e-van

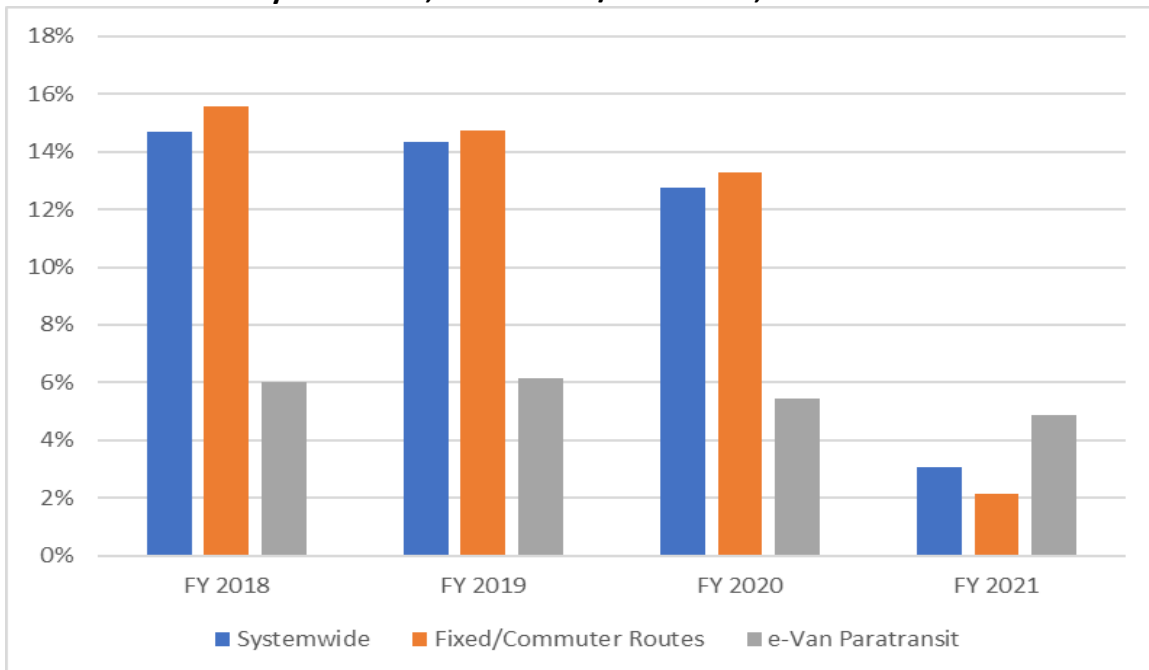


Note: System-wide cost is audited data; modal cost is unaudited.

Graph IV-5
Passengers per Vehicle Service Hour
System-wide, Fixed Route/Commuter, and e-van



Graph IV-6
Fare Recovery Ratio
System-wide, Fixed Route/Commuter, and e-van



Note: System-wide cost and fare revenue are audited data; modal cost and fares are unaudited.

Findings from Verification of TDA Performance Indicators

1. Operating costs system-wide decreased by 12.7 percent using audited data from the FY 2018 base year to FY 2021. Fixed-route operating costs decreased by 1.4 percent while e-van paratransit costs decreased 25.7 percent using unaudited modal data. On an average annual basis, system-wide costs decreased 4.4 percent, with the highest decrease of 8.6 percent occurring in FY 2020 followed by a 4.7 percent decrease in FY 2021. This decrease can be attributed to a reduction in City transit administrative staff in FY 2020 from 3 full-time staff members to 1 full-time staff member.
2. Ridership decreased 84.5 percent system-wide from 783,569 trips during the FY 2018 base year to 121,816 trips during FY 2021. The 85.2 percent decrease in fixed-route passenger trips mirrored the system-wide trend, whereas paratransit ridership decreased 56.4 percent. The decrease in ridership is attributed to the effects of COVID-19, although ridership fell 3.7 percent from FY 2018 to FY 2019, which reflects a continual downward trend seen over the previous audit period as well.
3. The provision of vehicle service hours and miles decreased system-wide from the FY 2018 base year to FY 2021. Vehicle service hours decreased 24.9 percent and vehicle service miles decreased 25 percent. At the modal level, fixed-route service hours decreased 16.7 percent while service miles decreased by 18.3 percent. Paratransit service hours decreased by 54.9 percent while service miles decreased by 60.6 percent. Service had been cut in response to the COVID-19 pandemic, which reflects this decrease seen system-wide.
4. Operating cost per passenger, an indicator of cost effectiveness, increased fivefold system-wide from \$11.46 during the FY 2018 base year to \$64.31 during FY 2021. Cost per passenger increased 567.3 percent on fixed route and increased 70.4 percent on the paratransit service. This drastic increase can be attributed to the effects of COVID-19 on ridership with a decrease of 84.5 percent whereas operating costs only decreased 12.7 percent. From FY 2018 to FY 2019 operating cost per passenger increased 4 percent whereas from FY 2020 to FY 2021 operating cost per passenger increased 366 percent.
5. Operating cost per hour, an indicator of cost efficiency, increased 16.2 percent system-wide from \$124.29 during the FY 2018 base year to \$144.42 during FY 2021. The indicator increased by 18.5 percent on fixed route and increased 64.8 percent on e-van paratransit. The trend is reflective of the reduction of service during the COVID-19 pandemic where vehicle service hours decreased at nearly double the rate of operating costs.
6. Passengers per hour, which measures the effectiveness of the service delivered, decreased by 79.3 percent system-wide from 10.9 passengers to 2.2 passengers per hour. The indicator for the fixed-route mode decreased by a comparable 82.2 percent

whereas for paratransit there was a 3.3 percent decrease. For fixed route, this trend can be attributed to the effects of COVID-19 on ridership. Passengers per hour fell congruently with ridership over the course of the COVID-19 pandemic. For paratransit, while there was a decrease in passengers per hour, the trend shows that the service maintained relative effectiveness despite the decrease in ridership.

7. Vehicle hours per full-time equivalent (FTE) employee, which measures labor productivity, increased by 27 percent system-wide from the FY 2018 base year to FY 2021. This performance indicator increased 47.4 percent for fixed route while decreasing 45.9 percent for paratransit. The system-wide decrease is primarily driven by fixed route where the decrease in FTE's, related to industry wide driver shortages as well as SacRT annexation, outpaced the decrease in service hours related to the pandemic. While paratransit service also exhibited a decrease in FTE's, the service hours were more heavily impacted by the pandemic as a demand service and outpaced the decrease in FTE's.
8. Pursuant to the TDA, the City is subject to a 20 percent farebox ratio for fixed route and 10 percent for elderly and disabled service modes. For the three-year audit period, Elk Grove's system-wide farebox recovery ratio was 14.05 percent in FY 2019; 12.77 percent in FY 2020; and 2.89 percent in FY 2021. Pursuant to SACOG's regional farebox policy, AB 432 (PUC Section 99270.6) states that fares collected by all the transit operators in Sacramento County are counted as a whole to meet a region-wide farebox recovery ratio.

Section V

Review of Operator Functions

This section provides an in-depth review of various functions within e-tran. The review highlights accomplishments, issues, and/or challenges that were determined during the audit period. The following functions were reviewed via videoconferencing with City of Elk Grove staff:

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

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

Operations

The transit system underwent a change in contract operators preceding e-tran being annexed into SacRT. In an eventual move toward annexation, the City of Elk Grove contracted with SacRT for the operation and maintenance of e-tran and e-van services effective July 1, 2019. SacRT had first approached the City about operating the service in April 2017. In December 2018, the City Council directed staff to initiate contract negotiations with SacRT. Pursuant to the service contract, if the City determined that SacRT's performance for the first year of the contract exceeded the performance of the City's previous contract, the City would consider annexation. Given that SacRT met the City's previous contractor's performance, Elk Grove decided to annex into SacRT effective July 1, 2021.

Prior to the transition to SacRT, at the beginning of the audit period, the City contracted with MV Transportation to operate the transit service. Driver shortages that have become common in the transit industry resulted in late and missed trips, which prompted the City to assess liquidated damages on the contractor as allowed in the service contract. Operations are based out of the City's Corporation Yard located at 10250 Iron Rock Way, Suite 200 in Elk Grove.

During the transition in contract operators, SacRT tried to maintain as many MV Transportation employees as possible. The City's Transit Department was composed of a staff of administrative personnel, which dwindled down to the transit manager and a temporary employee during the transition. The City's transit staff had to bring SacRT up to speed on the City's expectation for

performance monitoring during the six-month trial period. There is no liquidated damages clause in the contract.

SacRT decided not to keep the management team and structure that it inherited from MV Transportation. Some driver concerns and morale concerns were raised during the transition, such as concerns from part-time drivers who did not see a future with SacRT. Contract negotiations with the Amalgamated Transit Union, Local 256 were concurrent. The City reported challenges in securing a dedicated SacRT operations manager. However, the City has been able to maintain weekly meetings with SacRT management as with MV Transportation up until annexation.

Revenue hours and miles are monitored in the Solutions for Transit data analysis software program. Data is auto-cross checked between actual and expected, and reconciled as necessary by MV, and later by SacRT. The monthly invoice report received from MV Transportation was used for verification purposes. Metrics from the COA have been established.

Complaints were logged into the Solutions for Transit database by MV Transportation and the City's transit manager. Commendations were also recorded. The transit manager signs off on the complaint review. On-board cameras and automated vehicle location (AVL) are reviewed as part of the complaint investigative process. Complaints and commendations are summarized in Table V-1.

Table V-1
Complaints and Commendations

Category	FY 2018	FY 2019	FY 2020	FY 2021
Complaints	71	72	137	60
Commendations	12	21	14	8

Source: Solutions for Transit, City of Elk Grove

The trend shows that the number of complaints decreased 15.5 percent during the audit period from 71 in FY 2018, to 72 in FY 2019, to 137 in FY 2020, and to 60 in FY 2021. The number of commendations received decreased 33.3 percent during the audit period, from 12 in FY 2018, to 21 in FY 2019, to 14 in FY 2020, and to 8 in FY 2021. There was a spike in complaints in FY 2020, largely related to the pandemic.

Regarding vehicle safety, e-tran has generally tracked the number of accidents categorized as "preventable." According to the Federal Motor Carrier Safety Administration, a preventable accident is one that occurs because the driver fails to act in a reasonably expected manner to prevent it. Preventable accident data were unavailable at the time of this audit.

E-tran utilizes the GFI/Genfare electronic farebox system. The contract operator is tasked with managing the fareboxes, which are probed in a vault. The fare revenues are counted by the contractor and picked up by GardaWorld armored car service for deposit. A copy of the deposit slip is emailed to the City. The City has ultimate control of the GFI probe and has the ability to

monitor the process through Solutions for Transit software. Having supervision and monitoring capability over the GFI probe allows the City to reconcile any differences in the fare count (under or over) including unclassified revenue. This provides a level of revenue risk protection from instability due to a driver shortage and relatively high turnover rate. The GFI data are utilized to track both passenger trips and revenues. There has been an increase in the use of cash-less fare media such as passes and the regional Connect Card, which helps with farebox cash control.

Syncromatics software is used on the fixed-route and commuter service modes. Previously, e-tran utilized Timepoint.

e-van Paratransit

E-van paratransit services are operated with a fleet of 10 cutaway vehicles. The City conducts ADA certifications, which are tracked on the Elk-Net internal management system. There is a three-year eligibility cycle.

The dispatch and AVL software utilized on the e-van ADA service is Trapeze. No-shows and cancellations are monitored monthly by the transit planner at the City in coordination with MV Transportation and SacRT. A no-show occurs when a rider fails to appear to board the vehicle for a scheduled trip. This presumes the vehicle arrives at the scheduled pickup location and the driver waits at least 5 minutes within the pickup window. A late cancellation is defined as either a cancellation made less than one hour before the scheduled pickup time or made at the door, or a refusal to board a vehicle that has arrived within the pickup window.

The City enforces a no-show policy to enhance productivity and accountability of the clients of e-van by following up with the passenger by letter as a reminder of the rules and procedures. Each verified no-show or late cancellation consistent with the above definitions counts as one penalty point. Riders are subject to suspension after they:

- Accumulate four penalty points in one calendar month
- Have booked at least ten trips that month, and
- Have “no-showed” or “late cancelled” at least 40 percent of those trips

No-shows, cancellations, and missed trips are reported for e-van in the Solutions for Transit database. No-show and cancellation data for paratransit services were unavailable at the time of this audit.

COVID-19 Pandemic Impacts

As impacts from the novel coronavirus (COVID-19) started to be realized in California, a state of emergency was declared on March 4, 2020. The first COVID-19 case in Sacramento County was reported February 2020. A mandatory statewide shelter-in-place order was implemented on March 19. In response to the order and pursuant to Centers for Disease Control and Prevention

protocols, e-tran enacted many new protocols. Nearly all departments within the transit agency were affected in some way by the impacts of COVID-19; the operations department was impacted most directly.

Passenger demand dropped beginning in February 2020. Prior to the pandemic, e-tran had strong commuter demand between Elk Grove and downtown Sacramento. The commuter route made up one-half of the system's ridership. The pandemic resulted in a 93 to 94 percent decline in ridership. Paratransit service demand dropped due to the closure of the Senior Center of Elk Grove and the shelter-in-place order.

The transit manager sought the City manager's authorization to suspend low-performing routes while maintaining the local route network. The suspended routes still have not been reinstated. There was no suspension or reduction in fare collection. SacRT could not modify the fare structure.

Public outreach included notices highlighting the face mask requirement for passengers utilizing public transportation. During the early stages of COVID-19, SacRT fogged the buses that were utilized each day using chlorine dioxide. Cleaning continues today where all buses are fogged weekly. All buses received driver barriers, which are still in use.

Personnel

Prior to the transition of operations to SacRT, MV Transportation had a roster of 74 drivers, 9 dispatchers/customer service representatives, and 4 office administrative staff. The general manager position was vacant as of this audit. Of the drivers on staff, 42 are full-time and 32 are part-time employees. The operations contract stipulates 67 drivers. Non-exempt employees are represented by the Amalgamated Transit Union, Local No. 256. Drivers, dispatchers, mechanics, technicians, utility workers, and reservationists are covered under the collective bargaining agreement. The average years of experience was 3.92 years, which was a telling sign of the rate of turnover and below general industry trends of about 6-8 years of average driver experience agency wide. The most senior driver with e-tran has 14 years of experience. Bidding for routes is based on driver seniority. Drivers are trained on all service modes operated by e-tran.

Drivers are recruited through social media, flyers posted on the buses, and hiring cards. Drivers are recruited based on their customer service background and subject to background checks, interviews, and fingerprinting prior to the training process. Candidates are required to have a Class B license with a passenger as well as Verification of Transit Training (VTT) certification. MV Transportation will assist candidates with obtaining their Class B license and endorsements. Drivers are subject to annual classroom training to retain their VTT certification. Driver candidates undergo over 100 hours of classroom and behind-the-wheel training prior to being released on the routes. A breakdown of the training protocol is summarized in Table V-2:

Table V-2
Driver Training Protocol

Training Category	Hours
Classroom	20.33
Pre-driving skills	4.50
Close course skills	6.00
Behind-the-wheel	25.50
Observation/Ride along	36.00
Cadet training	16.00
Total Training Hours	108.33

Source: MV Transportation, e-tran

There is a 90-day probation period. Drivers receive an annual evaluation as well as spot check evaluations as needed. Drivers check in five minutes prior to their shift and call into dispatch upon leaving the yard, returning to the yard, and for any route deviations. A safety manager and two road supervisors perform route checks. There are also two trainers on staff. Drivers attend a two-hour safety meeting modeled on Occupational Safety and Health Administration requirements, which includes training on each piece of equipment. Outside speakers and agencies are brought in to conduct trainings.

SacRT's Operations Training includes 14 employees. RT has changed its training to focus more on customer service and implemented an operator instructor training program. A variety of methods for training are utilized, including Transportation Charter Permit online training and a video-based simulation to understand how operators would respond in certain situations. Two videos are used for customer service and to simulate driving. The simulations are based on realistic situations that operators would likely encounter (e.g., approaching a bicyclist, handling a rider bringing food on the bus) and provide a series of multiple-choice questions to see how the individual would respond. In response to a lawsuit, RT also implemented accident training that operators must complete within 90 days after an accident.

RT implemented the Track-It program to track, monitor, and schedule required training to ensure all employees are up to date and meet regulations.

MV Transportation offered a \$200 monthly safety bonus for zero accidents and Drive Cam violations as well as for perfect attendance. Other incentives and morale boosting activities include Driver of the Month, luncheons, barbecues, raffles, and free water bottles during hot weather events. To motivate employees, SacRT has relied primarily on its salary and benefit package, which is challenging for outside organizations to match, especially after a driver has accumulated a couple of years of experience. RT has contributed additional funds to employee pension funds following actuarial recommendations.

Maintenance

Vehicle maintenance and storage are conducted from the Corporation Yard on Iron Rock Way. The entrance is accessed from Elkmont Way. The facility has three service doors and four portable lifts. A dedicated service bay is able to accommodate the 40-foot buses. There is also a wash facility on the premises. The contract operator keeps certain parts on hand but otherwise orders parts as they are needed. Cycle counts are conducted quarterly. Parts are enumerated along with the description and bin number. There are daily inspection books in each vehicle for pre- and post-trip inspections.

The maintenance department is staffed with 16 employees composed of 7 mechanics and 9 utility workers/fuelers. Most repairs are conducted in-house except for engine rebuilds and major transmission work. The City was responsible for the cost and sourcing of major repairs. Maintenance oversight includes quarterly spot audit inspections of vehicles based on 121-point criteria. These inspections have improved maintenance practice as evidenced by relatively clean CHP terminal inspections and the City receiving a preferred carrier designation, which allows for the CHP to only inspect half of the fleet.

Maintenance uses the FleetFocus fleet management software program for preventive maintenance inspections (PMIs) and to generate electronic work orders. PMI protocol varies according to service mode and vehicle type. For fixed-route and commuter vehicles, the PMI schedule is every 45 days or 3,000 miles, whichever comes first, whereas for e-van paratransit vehicles, the PMI schedule is every 45 days or 5,000 miles.

Upon the transfer of operations, SacRT brought in an inspector to inspect the fleet. MV Transportation exceeded expectations in the closeout of their contract with the City. Maintenance employees were retained, and the overall operation of the maintenance operation was deemed as being high caliber. The eight-year lease agreement for the facility was transferred to SacRT.

Vehicles are fueled at the Clean Energy CNG station located at 9050 Elkmont Way near the Corporation Yard. Fuel is dispensed through a card-lock system. Although Clean Energy has provided reliable service, the City is exploring backup fueling facilities. The City had been working on a Memorandum of Understanding with Paratransit, Inc. of Sacramento to provide contingency CNG fueling services. Another backup fuel facility is Atlas Refuel located at 8550 Fruitridge Road in Sacramento.

A measure of maintenance performance is the number of recorded incidents that are related to equipment breakdown. Elk Grove utilizes Solutions for Transit to track and categorize road calls. Elk Grove differentiates between NTD-defined road calls and total road calls. The number of road calls are summarized in Table V-3:

Table V-3
e-tran Road Calls

	FY 2018	FY 2019	FY 2020	FY 2021
Road Calls	226	190	152	123
NTD Road Calls	192	189	152	123

Source: e-tran, Solutions for Transit

The number of road calls, in particular the last few years, are down due to the phasing out of older vehicles that have reached their FTA useful life, combined with rotation of vehicles for reduced revenue services. Elk Grove also refurbished a number of vehicles in 2014 which extended the life of the fleet into this audit period. Most of the road calls are attributed to engine and transmission malfunction, followed by farebox and electrical issues. Total road calls reported include accidents and biohazards. When using an industry measure of the ratio of vehicle service miles between road calls, the performance metric shows revenue vehicle miles between road calls between 4,400 and 5,700 each year (4,433 miles/roadcall in FY 2019, 5,349 in FY 2020, and 5,735 in FY 2021). This is below general industry standards of about 8,000 to 10,000 miles between road calls indicating the number of road calls relative to mileage is higher than industry trends. However, the improving trend is an increase in miles between roadcalls the past three years. The aging fleet, including refurbished vehicles and buses that are no longer manufactured and have hard-to-obtain parts, are contributing factors.

Planning

Planning initiatives carried out during the audit period involved the implementation of a Comprehensive Operational Analysis (COA) adopted in April 2017. The COA is composed of six chapters and included an extensive public outreach process featuring two public workshops, multiple interviews with various agencies, and a community survey that received over 400 responses.

The transit system had not changed since its inception in 2005 and was composed of uni-directional circuitous local routes and several commuter routes originating from various points in Elk Grove. Based on the recommendations in the COA, the City realigned the local routes along the major arterials with more linear bidirectional runs as well as a restructuring of the commuter routes to downtown Sacramento.

There was a 7.6 percent reduction in revenue hours, which included the elimination of Sunday service, minor reductions to the local routes, and significant reductions in Saturday service from seven to four routes.

Prior to the development and adoption of the COA, the City of Elk Grove SRTP – Fiscal Years 2014-2020 served as the only other formal planning document. The plan was prepared by SACOG on behalf of the City. The City also commissioned a multimodal station feasibility study that would provide direct bus connections to potential heavy rail operated by the San Joaquin

Regional Rail Authority. A community open house and online survey occurred to solicit public feedback. The proposed station platform just north of Laguna Boulevard would be located along the existing Union Pacific Railroad Sacramento Subdivision. The rail feasibility study is part of the proposed Valley Rail Sacramento Extension Project.

Marketing

E-tran services are marketed through various media and collateral. The adoption of the COA has affected how transit is marketed. There has been emphasis on rider education due to the recent route changes. Surveys were conducted during and after the adoption of the COA as well as a web-based forum. In addition, transit staff has been involved in various rider engagement efforts at major transit hubs, City promotional, and local Chamber of Commerce events.

E-tran information is accessible through the City's web portal (<https://www.sacrt.com/apps/elk-groves-transit-services-officially-join-sacramento-regional-transit-district/>). The transit web page features tabs on general service information, route schedules, rider alerts, fares, and online pass purchases. A menu on the left-hand margin has links to the aforementioned information as well as to public notices, paratransit information, Connect Card, commuter alternatives, employment opportunities, and the Title VI program. At the bottom of the web page is a trip planner. E-tran has also started using social media platforms, such as Facebook and Twitter, to engage riders.

The City has published multi-fold brochures for each route. Transit information is also featured in the City's weekly newsletter "Week at a Glance." The *Elk Grove Citizen* newspaper features stories about the transit system as well as advertisements and public notices. Transit staff made presentations at the Senior Center and Alta Regional Center that focused on travel training and ADA accessibility.

Pursuant to the federal Civil Rights Act of 1964, the City updated its Title VI Program, which was adopted in May 2018. After the FTA review, the City made corrections to the Title VI Program in February 2019. Title VI of the Civil Rights Act of 1964 requires that no person in the United States, on the grounds of race, color, or national origin, be excluded from, be denied the benefits of, or be subjected to discrimination, under any program or activity receiving federal financial assistance. Program compliance includes Title VI notices posted on the website, in all transit vehicles and shelters, and at City offices. Complaint forms are available on the website in English and Spanish.

General Administration and Management

Elk Grove is a general law city incorporated on July 1, 2000. The Elk Grove City Council serves as the City's main legislative body and policy board for the transit system with five elected representatives including the mayor and vice mayor. The mayor is elected directly by the voters citywide and serves a two-year term. There are four council residency districts, and council members are elected citywide (by district) and serve four-year terms. Each council member

must reside within the district of the city that they oversee. The City Council meets the second and fourth Wednesdays of the month at 6:00 p.m. in the Elk Grove City Hall located at 8400 Laguna Palms Way.

The Transit Department had been budgeted for five employees and four of the positions were filled. The transit manager has been with the City since June 2014 and became the permanent transit manager in August 2017. The transit manager administered the City's transit operations contract with MV Transportation as well as SacRT. MV Transportation had been the contract operator since e-tran's inception in 2005 until SacRT took over operation in FY 2020.

The City's senior accountant is tasked with handling general ledger transactions and tracking expenditures. The transit ledger is divided into four fund accounts. Transit operations is enumerated under account 511. The City utilizes audited data to prepare the Transit Operators' Financial Transactions Reports in coordination with the Transit Department and submitted to the State Controller and the NTD. The senior accountant is responsible for drawdowns of TDA funds and other transit support funds as well as preparing interest calculations. The transit manager reviews and signs off.

Budgeting is initiated by the Transit Department; the process generally begins in January and February. The transit budget relies on the TDA revenue estimate as well as the COA and SRTTP for guidance. Actuals against budget are monitored throughout the year. The transit manager and staff prepare and submit the City's TDA claims packet around September of the claim year after the City budget is finalized.

The City has maintained a transit service fund reserve accounting for a start-up loan of \$9 million when the transit service was initiated in 2005. There has been a negative fund balance in lieu of the reserve due to a \$5.3 million purchase of buses. The reserve is identified in the City's annual budget. There were plans to zero-out the reserve balance by FY 2021-22 through a combination of reduced service hours from the restructured service and new flow of revenue from Senate Bill 1 (SB 1), which increased state transit revenue. However, the City's transit fund continued to incur a negative fund balance toward the end of the audit period. The City has been applying rent payments from SacRT's use of the Corporation Yard toward the negative fund balance.

Performance data are reported to the City Council on a quarterly and annual basis. During its December 12, 2018, meeting, the City Council directed staff to initiate contract negotiations with SacRT for that agency to operate e-tran services effective July 2019. SacRT had approached the City about operating the service in April 2017. In an eventual move toward annexation, the City of Elk Grove contracted with SacRT for the operation and maintenance of e-tran and e-van services effective July 1, 2019. Pursuant to the service contract, if the City determined that SacRT's performance for the first year of the contract exceeded the performance of the City's previous contract, the City would consider annexation. The City had to bring SacRT up to speed on the City's expectations for performance monitoring. Given that SacRT met the City's

previous contractor's performance, Elk Grove decided to annex into SacRT effective July 1, 2021.

Elk Grove's most recent FTA triennial review was conducted in 2019 and included site visits on September 17-18, 2019. The review examined compliance in 21 areas. No deficiencies were found with the FTA requirements in any areas. The final review was issued on October 25, 2019.

Pursuant to the TDA, Elk Grove receives Local Transportation Fund (LTF) proceeds and State Transportation Assistance Funds (STAF). TDA funding is used primarily for operating expenditures and certain capital projects. Based on annual financial audit data, LTF revenues received during the audit period were \$6,978,225 (operations only) in FY 2019; \$7,357,638 (operations only) in FY 2020; and \$6,891,803 (operations only) in FY 2021. STAF revenues received were \$1,542,605 (\$1,262,605 operations; \$280,000 capital) in FY 2019; \$1,661,609 (operations only) in FY 2020; and \$987,994 (operations only) in FY 2021. The City held onto and expended the remaining TDA funds through June 2021.

Grants Administration

The Transit and Finance Departments would meet monthly to discuss grant funding opportunities and budget forecasts. The analysis encompasses capital fund matches and the 10-year capital needs forecast. There was shared drive access and invoices are tied to the drawdowns in the Electronic Clearing House Operation (ECHO) application. ECHO is a web application that allows FTA grant recipients to request payments from their grant awards. The City ensured that all transit grants were closed out prior to the departure of the City's transit manager.

Project numbers are assigned to each grant and interest is tracked separately. SB 1 revenues have boosted the amount of available capital funds for bus replacement and procurement. The City receives FTA Section 5307 formula funding for operating and preventative maintenance. In addition, the City has used a combination of FTA Section 5307 and Congestion Mitigation Air Quality funds for the procurement of new fixed-route buses.

California Governor's Office of Emergency Services Safety and Security program grant awards have been used toward Phase 2 of the Corporation Yard expansion, automatic stop announcers, and mobile radio equipment. New funding from the state's Low Carbon Transportation Operations Program has been earmarked for a charging station at the corporation yard.

During the audit period, the City received \$2.7 million in CARES Act funding; however, none of these funds were used for the transit program, as this operation had been annexed back to SacRT.

Section VI

Findings

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

Triennial Audit Findings

1. The City of Elk Grove fully complied with all nine applicable requirements. Two additional compliance requirements did not apply to Elk Grove (i.e., rural and blended farebox recovery ratios).
2. Pursuant to the TDA, the City is subject to a 20 percent farebox ratio for fixed route and 10 percent for elderly and disabled service modes. For the three-year audit period, Elk Grove's system-wide farebox recovery ratio was 14.05 percent in FY 2019; 12.77 percent in FY 2020; and 2.89 percent in FY 2021.⁴ It is noted that the audited farebox ratio in FY 2021 was adversely impacted from the COVID-19 pandemic and state shelter-in-place order, which resulted in a 90 percent decrease in ridership. However, pursuant to SACOG's regional farebox policy, AB 432 (PUC Section 99270.6) states that fares collected by all the transit operators in Sacramento County are counted as a whole to meet a region-wide farebox recovery ratio. This regional ratio was met.
3. Through its contract operator, Elk Grove participates in the CHP Transit Operator Compliance Program and received vehicle inspections within the 13 months prior to each TDA claim. Satisfactory ratings were made for all inspections conducted during the audit period. Elk Grove received a preferred carrier designation, which allows for the CHP to only inspect half of the fleet.
4. The operating budget exhibited modest fluctuations during the audit period. There was an increase of 2.1 percent in FY 2019 followed by a 5.4 percent decrease in FY 2020. For FY 2021, there was a 2.9 percent decrease.
5. Elk Grove implemented two prior audit recommendations and is in process of implementing the third. The recommendations implemented pertained to addressing the rate of preventable accidents, and conducting passenger surveys to gauge success of the Elk Grove/SacRT operations contract. The recommendation in process of implementation is the

⁴ Assembly Bill 90, passed into law and signed by the governor in June 2020 in response to the COVID-19 pandemic impacts, prohibits the imposition of penalties on a transit operator that does not maintain the required ratio of fare revenues to operating cost during FY 2019–20 or FY 2020–21.

City collaborating with SacRT on the integration of e-tran into its updated Strategic Plan and Short-Range Transit Plan.

6. Operating costs system-wide decreased by 12.7 percent using audited data from the FY 2018 base year to FY 2021. Fixed-route operating costs decreased by 1.4 percent while e-van paratransit costs decreased 25.7 percent using unaudited modal data. On an average annual basis, system-wide costs decreased 4.4 percent, with the highest decrease of 8.6 percent occurring in FY 2020 followed by a 4.7 percent decrease in FY 2021. This decrease can be attributed to a reduction City transit administrative staff in FY 2020 from 3 full time staff members to 1 full time staff member.
7. Ridership decreased 84.5 percent system-wide from 783,569 trips during the FY 2018 base year to 121,816 trips during FY 2021. The 85.2 percent decrease in fixed-route passenger trips mirrored the system-wide trend, whereas paratransit ridership decreased 56.4 percent. The decrease in ridership is attributed to the effects of COVID-19, although ridership fell 3.7 percent from FY 2018 to FY 2019, which reflects a continual downward trend seen over the previous audit period as well.
8. The provision of vehicle service hours and miles decreased system-wide from the FY 2018 base year to FY 2021. Vehicle service hours decreased 24.9 percent and vehicle service miles decreased 25 percent. At the modal level, fixed-route service hours decreased 16.7 percent while service miles decreased by 18.3 percent. Paratransit service hours decreased by 54.9 percent while service miles decreased by 60.6 percent. Service had been cut in response to the COVID-19 pandemic, which reflects this decrease seen system-wide.
9. Operating cost per passenger, an indicator of cost effectiveness, increased more than fivefold system-wide from \$11.46 during the FY 2018 base year to \$64.31 during FY 2021. Cost per passenger increased 567.3 percent on fixed route and increased 70.4 percent on the paratransit service. This drastic increase can be attributed to the effects of COVID-19 on ridership with a decrease of 84.5 percent whereas operating costs only decreased 12.7 percent. From FY 2018 to FY 2019 operating cost per passenger increased 4 percent whereas from FY 2020 to FY 2021 operating cost per passenger increased 366 percent.
10. Operating cost per hour, an indicator of cost efficiency, increased 16.2 percent system-wide from \$124.29 during the FY 2018 base year to \$144.42 during FY 2021. The indicator increased by 18.5 percent on fixed route and increased 64.8 percent on e-van paratransit. The trend is reflective of the reduction of service during the COVID-19 pandemic where vehicle service hours decreased at nearly double the rate of operating costs.
11. The transit system underwent a change in contract operators preceding e-tran being annexed into the Sacramento Regional Transit District (SacRT). In an eventual move toward annexation, the City of Elk Grove contracted with SacRT for the operation and maintenance of e-tran and e-van services effective July 1, 2019.

12. As impacts from the novel coronavirus (COVID-19) started to be realized in California, a state of emergency was declared on March 4, 2020. The first COVID-19 case in Sacramento County was reported February 2020. Passenger demand dropped beginning in February 2020. Prior to the pandemic, e-tran had strong commuter demand between Elk Grove and downtown Sacramento. The commuter route made up one-half of the system's ridership. The pandemic resulted in a 93–94 percent decline in ridership.
13. Vehicle maintenance and storage are conducted from the Corporation Yard on Iron Rock Way. The entrance is accessed from Elkmont Way. The facility has three service doors and four portable lifts. A dedicated service bay is able to accommodate the 40-foot buses. Upon the transfer of operations, SacRT brought in an inspector to inspect the fleet. MV Transportation exceeded expectations in the closeout of their contract with the City.
14. There were plans to zero-out the reserve balance by FY 2021-22 through a combination of reduced service hours from the restructured service and new flow of revenue from Senate Bill 1 (SB 1), which increased state transit revenue. However, the City's transit fund continued to incur a negative fund balance toward the end of the audit period. The City has been applying rent payments from SacRT's use of the Corporation Yard toward the negative fund balance.
15. Elk Grove's most recent FTA triennial review was conducted in 2019 and included site visits on September 17-18, 2019. The review examined compliance in 21 areas. No deficiencies were found with the FTA requirements in any areas. The final review was issued on October 25, 2019.

Recommendations

1. Ensure that the performance standards in the operations contract continue to be upheld. (High Priority)

In an eventual move toward annexation, the City of Elk Grove contracted with Sacramento Regional Transit District (SacRT) for the operation and maintenance of e-tran and e-van services effective July 1, 2019. SacRT had first approached the City about operating the service in April 2017. In December 2018, the City Council directed staff to initiate contract negotiations with SacRT. Pursuant to the service contract, if the City determined that SacRT's performance for the first year of the contract exceeded the performance of the City's previous contract, the City would consider annexation. The City had to bring SacRT up to speed on the City's expectations for performance monitoring. Given that SacRT met the City's previous contractor's performance, Elk Grove decided to annex into SacRT effective July 1, 2021. In the interim, SacRT's operation in Elk Grove has continued under the e-tran branding as well as the utilization of the operations and maintenance facility at the City Corporation Yard. As a measure of continuity, accountability, and working in good faith, it is recommended that the City continue ongoing oversight of SacRT as per the terms of the operations contract including annual reporting and tracking of performance measures to help assure residents of seamless service delivery.