



TRANSPORTATION DEVELOPMENT ACT (TDA) GUIDEBOOK AND CLAIM FORMS

Prepared for : The Imperial Valley Association of
Governments (IVAG)

Prepared by : Arthur Bauer and Associates, Inc. and
Pacific Municipal Consultants

2nd Edition: January 2006

TABLE OF CONTENTS

	Page
Chapter I—Introduction	
Purpose of the <i>Guidebook</i>	1
Additional TDA Reference Materials	2
Impacts of Population Growth on IVAG’s Funding Programs	3
IVAG’s Goals and Strategies for Transit	4
Organization of the <i>Guidebook</i>	5
Chapter II—Description of Local Transportation Fund (LTF)	
Local Transportation Fund Revenue	7
Amount of Funds Available to IVAG Claimants	7
IVAG’s Apportionment and Allocation Process	8
Claimants Eligible for LTF Programs	9
Priorities for Spending LTF	9
Chapter III—Articles 3, 4, and 4.5 of Local Transportation Fund (LTF)	
Article 3—Funding Categories and Regulatory Provisions	11
Administration, Planning and Programming	11
Pedestrian and Bicycle Allocations	11
Regulatory Provisions for LTF Claimants	12
Article 4—Funding for Public Transit Operators	13
Funding Categories	13
Public Transportation System Claims	13
Regulatory Provisions	14
Article 4.5—Funding for Community Transit Services	16
Consolidated Transportation Service Agency (CTSA)	16
Chapter IV—Article 8 of Local Transportation Fund (LTF)	
Funding Categories	17
Sections (a) through (e)	18
Cities with Populations of Less than 5,000	21
Regulatory Provisions	22
Transportation Planning Agency Responsibility for Regulations	22
Fiscal and Compliance Audit	23
Unmet Transit Needs Finding and Documentation	23
Fifty Percent Allocation Limitation	23
Farebox Recovery Ratio	23
Report of Streets and Roads Expenditures	24
Joint Development Authority	24

TABLE OF CONTENTS - Continued

Transit Systems in Imperial County	25
Imperial Valley Transit	25
AIM Transit	26
Med Express	26
Local Demand Response Service	26
Chapter V—State Transit Assistance (STA)	
Total Annual Funding	27
Two Types of STA Funding	28
Use of STA in Imperial County	28
STA Funding Categories	29
Programs in Article 6.5	29
Regulatory Provisions	30
Eligible Claimants	30
Fiscal Reporting Requirements and Standards	31
Chapter VI—Calculation of Farebox Recovery Ratio	
Calculating the Farebox Recovery Ratio	33
TDA Standards for Farebox Recovery Ratios	37
Failure to Meet Farebox Ratio	39
Farebox Ratio Standards Adopted by IVAG	39
TDA Performance Indicators	40
Definitions of Performance Indicators	41
Attributes Measured by Performance Indicators	42
Performance Indicators Used by IVAG	43
Productivity Improvement Program	44
Chapter VII Management of TDA Program	
Appropriating and Allocating LTF and STA Funds	45
Summary of Important TDA Report Dates	47
Required Audits and Reports	48
Unmet Transit Needs Process	50
IVAG’s Definition of Unmet Transit Needs	51
Findings of the Unmet Needs Report	52
Chapter VIII Guidelines for Audit of TDA Compliance	
Auditing for Conformity	53
Compliance Audit Tasks	56

TABLE OF CONTENTS - Continued

Appendix A

General Instructions for Filing TDA Claims	1
Calendar of Local Transportation Funding Process	4
Claim Form Application Instructions	5
Article 3 -- Funding for Bicycles and Pedestrians	8
Instructions for Preparing Article 3 Claims	8
Application Guidelines	9
Claim Form	10
Project Information Form	12
Financial Reporting Form	13
Sample Governing Body Resolution	14
Statement of Assurances	15
Article 4 – Funding for Public Transportation	18
Instructions for Preparing Article 4.0 and 4.5 Claims	18
Claim Form	19
Sample Governing Body Resolution	22
Schedule A-Operating Revenue Summary	23
Schedule B-Operating Expense Summary	25
Schedule C- Statement of Operating Requirements	26
Schedule D- Capital Assistance and Outlay Summary	27
Schedule E- Statement of Capital Requirements	29
Description of Project and Service	31
Justification Statement	32
Statement of Assurances	33
Article 6.5 – State Transit Assistance Funding	36
Instructions for Preparing Article 6.5 Claims	36
Claim Form	37
Detail of Requested Capital Payments and Reserves	39
Proposed Commitment Statement	40
Schedules (A through E) See Article 8 (c)	61
Standard Statement of Assurances	41
Sample Governing Body Resolution	44
Article 8 (a) – Local Streets and Roads Claims	45
Instructions for Preparing Article 8 (a) Claims	45
Claim Form	46
Financial Reporting Form	48
Unmet Transit Needs Findings Report	49
Form for Bicycle and Pedestrian Projects	50
Statement of Assurances	51
Sample Governing Body Resolution	54

TABLE OF CONTENTS - Continued

Article 8 (c) – Public Transportation Funding	55
Instructions for Preparing Article 8 (c) Claims	55
Claim Form	56
Detail of Requested Capital Payments and Reserves	58
Sample Governing Body Resolution	59
Schedule A—Operating Revenue Summary	60
Schedule B—Operating Expense Summary	62
Schedule C—Statement of Operating Requirements	63
Schedule D—Capital Assistance and Outlay Summary	64
Schedule E—Statement of Capital Requirements	66
Description of Project and Service	68
Justification Statement	69
Productivity Improvement Statement	70
Statement of Assurances	71
Article 8 (e) – Capital Assistance Funding	75
Instructions for Preparing Article 8 (e) Claims	75
Claim Form	77
Detail of Requested Capital Payments and Reserves	78
Sample Governing Resolution	79
Schedule A--Capital Assistance	80
Schedule B—Capital Assistance	82
Proposed Commitment Statement	85
Statement of Assurances	86
Appendix B - Glossary	

LIST OF TABLES

<u>TABLE</u>	<u>PAGE NUMBER</u>
1. TDA References & Resources	1
2. IVAG's Goals, Short Range Transit Plan	4
3. Comparison of LTF and STA Funding, IVAG	8
4. LTF Eligible Claimants	9
5. Funding Order for LTF	10
6. Summary of Article 3 Funding Programs	12
7. Summary of Article 4 Funding Programs	13
8. Criteria for Article 4.5 Claims	16
9. Article 8 Provisions as Applicable to Imperial County	18
10. Unmet Transit Needs Findings	19
11. Three Alternative Fiscal Standards	20
12. Regulatory Provisions in Article 8	22
13. Imperial County Transit Systems and Operators	25
14. STA Statewide Funding (1980-2005)	27
15. STA Allocated to IVAG FY 2000-01 to 2004-05	28
16. Uses for STA	29
17. STA Funding Programs	30
18. Calculating Farebox Ratios	37
19. Various Farebox Ratios Required by TDA	39
20. Comparison of TDA and IVAG Requirements for Farebox Ratio	40
21. TDA Performance Indicators	41
22. Definitions of Data Required by Performance Indicators	42
23. Attributes that Performance Indicators Measure	43
24. IVAG Performance Indicators Adopted in Short Range Transit Plan	44
25. Required TDA Reports	50
26. Definition of Unmet Transit Needs Process	51
27. Checklist for Evaluating Unmet Transit Needs Process	52

Chapter 1—Introduction

The Imperial Valley Association of Governments (IVAG) serves as the state designated Regional Transportation Planning Agency (RTPA) for Imperial County. In this role, IVAG implements California's Transportation Development Act (TDA). The TDA program was enacted into state law in 1971 to provide a portion of local sales taxes for support of local transit services, and where appropriate, local streets and roads.

The California Department of Transportation (Caltrans) has responsibility for oversight of the TDA program on a statewide basis. In turn, IVAG administers the distribution of funds to local TDA recipients (claimants), and monitors the subsequent use of those funds to ensure conformity with all state and local requirements.

Within IVAG's area of jurisdiction, a variety of public transit services are currently funded through TDA programs, including:

- Fixed route intercity bus service
- ADA paratransit
- Med-Express
- Dial-A-Ride services

In addition to transit services, TDA funding has been provided to the following programs:

- Bicycle and pedestrian projects
- Bus Stop Benches and Shelters Program
- Local streets and roads

Purpose of the *IVAG Guidebook*

This *IVAG Transportation Development Act Guidebook* endeavors to serve as a convenient reference document for TDA claimants, and IVAG staff managing the TDA claims process. It should also prove useful to the governing boards of local public agencies, and members of community advisory organizations involved with planning and oversight of the region's transportation system.

This *Guidebook* seeks to explain TDA statutory provisions, policies, procedures, and administrative instructions in an accurate, concise and readable format. It is provided as an addition to *TDA Statutes and California Codes of Regulations* (January 2005), published by Caltrans, that contains the complete text of all pertinent laws and regulations.

Since 1995, when the first edition of the IVAG *Guidebook* was produced, there have been amendments to the original TDA legislation, and these changes are included in this update. In Chapter VI, a section has been added regarding procedures for calculating the farebox recovery ratio for determining TDA funding eligibility.

Additional TDA Reference Materials

The following table cites additional reference materials that may be useful to claimants and IVAG staff when working with TDA programs.

Table 1
TDA References & Resources

TDA References & Resources
<ul style="list-style-type: none">• <i>TDA Statutes and California Codes of Regulations</i>, Caltrans, 2005. (Complete text of TDA laws and regulations.)• <i>Performance Audit Guidebook for RTPAs and Transit Operators</i>, Caltrans, 1998.• <i>Short Range Transit Plan</i>, IVAG, April 2004. (Covers a 3-5 year planning horizon.)• <i>Transit Finance Plan</i>, IVAG. (Produced each fiscal year.)• <i>Annual Fiscal Audit</i>, prepared for each transit operator receiving TDA funding.• <i>Annual State Controller's Report</i>, prepared by each transit operator, city, and county receiving TDA funds.• <i>Triennial Performance Audit of IVAG</i>, prepared every three years.• www.dot.ca.gov/hq/MassTrans/tdao.htm. Caltrans' Website for the TDA program.

Impacts of Population Growth on IVAG's Funding Programs

During the years since the TDA legislation was enacted in 1971, the Imperial Valley has experienced population growth. This has brought commensurate increases in the demand for transit services and transportation facilities, as reflected in the annual unmet transit needs process.

In response to increasing responsibilities involved with managing the planning and funding of transit services, IVAG has undertaken certain initiatives in recent years, including the development of transit plans and new organizational procedures.

Development of IVAG Responsibilities

IVAG was formed as a joint powers agency and serves as the regional transportation planning agency (RTPA) for Imperial County and the seven incorporated cities within its 4,598 square mile jurisdiction. With the passage of AB 3799 in 1992, it assumed responsibility for the TDA program which had been previously administered by the Southern California Association of Governments.

Among IVAG's responsibilities as a RTPA are preparation of long and short-range transportation plans. It also has responsibility for the appropriation, allocation and oversight of all TDA revenues distributed to transit claimants and local jurisdictions in the Imperial Valley.

Federal Urbanized Area

With the *2000 Census*, for the first time a population center within the Imperial Valley received federal designation as an urbanized area (population over 50,000). The new urbanized area includes the cities of El Centro and Imperial, and the unincorporated community of Heber. As a result, IVAG is eligible to receive federal urban transit grant revenues to supplement its TDA funding.

TDA Provisions for Counties with Populations Less than 500,000

The TDA differentiates among counties in California according to their population. In the original TDA legislation, counties with a population of less than 500,000 (*1970 Census*) are eligible to use LTF funds for specific non-transit purposes if certain conditions are met. These provisions continue to apply, even when a county in later years has grown beyond the initial population cut-off level.


Imperial County had a population of 74,500 in 1970, and therefore as an “unrestricted county” it has the ability to fund local streets and road projects using LTF revenues. This is a use of funds that is not available to the more populous regions in California. The use of LTF for local streets and road projects is addressed in Chapter VII under the discussion of “Unmet Transit Needs”.

It should be noted that special provisions in the TDA statute (Section 99231 [K] and [N]) place the geographical areas including Calipatria State Prison, and California State Prison-Imperial County (South) in IVAG’s jurisdiction. This will be the case even if these facilities are later annexed into nearby cities, given that IVAG provides transportation planning for the entire county. According to California Revenue and Taxation Code Section 2227, the population total for these areas exclude the residents of state and federal correctional facilities.

IVAG’s Goals and Strategies for Transit

As articulated in IVAG’s *2004 Short Range Transit Plan*, there are three goals for transit in the Imperial Valley that have been developed to guide the operation of transit services and facilities. Claimants for LTF and STA funding are encouraged to relate their applications for funding to these goals.

Table 2
IVAG’s Transit Goals (2004 Short Range Transit Plan)



IVAG’s Transit Goals
<ul style="list-style-type: none">• Ensure basic mobility for residents.• Provide effective public transit services to meet the area’s transportation needs.• Provide efficient service.

The *Short Range Transit Plan* also identifies three strategies to implement the goals identified in Table 2. They include the following:

1. Transit service levels are determined by demand; higher demand receives more service while areas with lower demand are provided with a minimum level of service.
2. Resources are to be allocated in the following order:
 - Access to medical and social services,
 - Access to educational facilities,
 - Access to employment, basic mobility, and other economic activities,
 - Transit alternatives for the general public.
3. The public transit system is viewed in its entirety.

Organization of the *Guidebook*

The *Guidebook* has been organized with the TDA claimant in mind. It is intended to explain in lay terms the legal and administrative requirements associated with TDA funded programs. The objective is to increase program understanding and thereby expedite the administrative process.

The first chapter of the *Guidebook* provides an overview of the TDA programs funded in Imperial County, and a summary of the transit goals and objectives that have been adopted by IVAG's member agencies. A list of useful reference documents for TDA claimants is also provided.

Chapter II describes TDA's larger funding program, the Local Transportation Fund (LTF), and provides historical data on the most recent five years of funding received by IVAG's member agencies. The LTF apportionment and allocation process, eligible claimants, and funding priorities are also explained.

In Chapter III, the emphasis turns to descriptions of the various funding programs available under TDA's Articles 3, 4, and 4.5. Claimants in Imperial County fund bicycle and pedestrian projects under the Article 3 funding program. On an annual basis, about 3 percent of LTF funds are allocated to bicycle programs guided by the countywide *Bicycle Master Plan*. Article 4 funding is available to cities and the county for transit services operated directly by the county or municipality.

Article 8 of the LTF program is the focus of Chapter IV. This is the funding source used by claimants in Imperial County to pay for contract transit services, as well as street and road projects. Therefore, Sections (a) through (e) of Article 8 are carefully explained in terms of program elements and associated regulatory provisions.

TDA's State Transit Assistance (STA), the smaller funding program, is the focus of Chapter V. Although STA offers significantly less funding than the LTF, Imperial County claimants are collecting between \$200,000-\$300,000 per year, depending upon economic conditions in the state and the legislature's discretion.

Chapter VI addresses the farebox recovery ratios that transit operators are required to meet under the TDA legislation. This chapter provides a detailed explanation for calculating the transit operator's Farebox Recovery Ratio, including definitions of performance indicators used in data analysis.

In Chapter VII, an explanation of the management and evaluation requirements of TDA programs is offered.

In Chapter VIII, also discussed are the requirements for fiscal audits and performance audits of the funded programs or projects.

IVAG claim forms and instructions for completing the application process are contained in the appendix.

Chapter II - Description of Local Transportation Fund (LTF)

The Transportation Development Act (TDA) includes two funding sources, the Local Transportation Fund (LTF), and a much smaller State Transit Assistance (STA) program. The law is organized into eight “articles” and a variety of transit funding programs are offered to eligible claimants.

LTF funds may be claimed by local agencies under Articles 3, 4, 4.5 and 8 of the TDA legislation. (Article 8 programs are discussed in Chapter IV). Of course, claimants should apply for the funding programs that are most appropriate for their transit operations. The choice will depend on the type of claimant, purpose for which the money will be used, administrative and fiduciary responsibilities associated with the funding program, and the amount of money available.

Local Transportation Fund (LTF) Revenue

Revenue for the LTF is derived from a ¼ cent of the local general sales tax that is collected statewide and then returned to its county of origin. IVAG *apportions* (distributes) the funds according to the population of the cities and unincorporated area in its jurisdiction.

As would be expected, the county’s economic condition impacts the amount of sales taxes that is raised each year. Nevertheless, throughout its history the LTF has increased at a rate that has kept pace with inflation, thereby providing a dependable revenue source for local governments and transit operators.

Amount of Funding Available for IVAG Claimants

During fiscal year 2005-06, approximately \$4.25 million in TDA funding is expected to be available for transit programs, and other eligible projects within the IVAG region. Of this total, approximately \$4 million will be LTF money, and about \$250,000 will be received from the State Transit Assistance (STA) program. As can be seen in Table 3, of the

two funding programs incorporated in TDA, the LTF program is by far the larger.

**Table 3
Comparison of LTF and STA Funding for IVAG
(FY 2000/01-2004/05)**

LTF and STA Funding for IVAG (Fiscal Years 2000-01 to 2004-05)					
TDA Program	2000-01 \$	2001-02 \$	2002-03 \$	2003-04 \$	2004-05 \$
LTF	2,900,000	3,200,000	3,400,000	3,700,000	3,900,000
STA	215,000	215,000	355,000	215,000	250,000
Total	3,115,000	3,415,000	3,755,000	3,915,000	4,150,000

Source: IVAG's annual Transit Financing Plan. * (Totals do not include holdover funding from prior years.)

IVAG's Apportionment and Allocation Process

In February of each year, the Imperial County Auditor provides IVAG with an estimate of the LTF revenue that will be available during the upcoming state fiscal year that begins on July 1st. Later, the Auditor will make adjustments to the February estimate in quarterly reports provided to IVAG and the California Transportation Commission.

Note that during the year, the revenue estimate, the *apportionment*, will probably change, according to variations in the level of sales taxes being collected. This could be a problem for claimants, without careful planning. Fortunately, IVAG has usually been able to carry over each year a small portion of revenue to accommodate any decreases in revenue collections.

On March 1st of each year, IVAG advises all eligible LTF claimants of the anticipated revenue that will be available to them for the next fiscal

year. IVAG has the responsibility for *apportioning* (distributing) to each of the County’s local jurisdictions their fair share of LTF revenue.

Local agencies are required to submit their budget to IVAG by April 1st, thus *allocating* their funds among eligible programs according to local priorities. IVAG then responds to these requests, and notifies the County Auditor of the *allocations* (amount) of funds that are to be made available for each claimant, and for each of the claimant’s programs.

Claimants Eligible for LTF Programs

Cities, counties, transit operators, transit districts and Community Transit Services Agencies are all eligible claimants for LTF funds, depending upon the particular program. Cities and counties are eligible to submit claims for transit operations, bicycle and pedestrian projects, local streets and road projects, and capital improvement programs. Table 4 provides a summary of eligible claimants and applicable funding programs.

**Table 4
LTF Eligible Claimants Categories**

LTF Eligible Claimants & Funding Programs	
<i>Claimant Categories</i>	<i>Articles</i>
• Transit Operators—cities and county	4
• Consolidated Transportation Services Agency (CTSAs)—responsible for services to Social Service recipients	4.5
• Transit Service Claimant—cities and county filing for contract payments	8 (c)
• Cities and County—streets & roads	8 (a)
bicycles & pedestrians	3
capital assistance (bus shelters, etc.)	8 (e)

Priorities for Spending LTF

The TDA legislation establishes priorities among the programs that may be funded by the LTF. First priority is given to IVAG and the County Auditor for administration, planning and programming tasks. Next in order are pedestrian and bicycle facilities that are eligible for up to three percent of the money remaining. Rail passenger service, operations, and capital improvements could claim an amount up to the remaining funds if this was desired. The fourth priority is given to Article 4.5, Community Transit Services, and this program is eligible for up to 5 percent of any remaining funds.

Claims for Articles 4 and 8 funding must wait until Article 3 and 4.5 programs have been considered. Article 4 provides funding for public transit services that are not contracted out by local agencies (there are no Article 4 claimants in Imperial County). Article 8 is designated for less populous counties, and may be used for funding contract transit services, and when appropriate, local streets and roads.

IVAG is able fund street and road projects under Article 8 (a) because Imperial County’s population was less than 500,000 in 1970, making it an “unrestricted county”. However, before funding may be used for this purpose, IVAG must fund all identified “Unmet Transit Needs” that are found to be reasonable to meet. Table 5 below displays the order for claiming LTF and the TDA Article that applies during the allocation process.

**Table 5
Funding Order for LTF**



<i>Claim Priority</i>	<i>Article</i>
1. Fund administration and planning (Up to 3% of total LTF)	3
2. Pedestrian and bicycle facilities	3
3. Consolidated Transportation Services Agency (Up to 5% of remaining funding)	4.5
4. Public Transit Operators	4
5. Other transit, streets and roads (after meeting unmet transit needs test.), and capital projects.	8 (a) (c) (e)

Chapter III—Articles 3, 4, and 4.5 of the Local Transportation Fund (LTF)

Article 3 of the Local Transportation Fund (LTF) provides funding for the administration of the Transportation Development Act (TDA) in Imperial County, and also certain other TDA high priority programs. Under Articles 4 and 4.5, cities and the County may apply for funding for public transit services, and services for the elderly and handicapped.

1. Article 3, Funding Categories and Regulatory Provisions

Under this Article, the first priority for LTF funding is given to TDA program administration and planning. Funding is also designated for pedestrian and bicycle programs, and rail passenger service (if such service were to be offered in Imperial County). Eligible pedestrian and bicycle projects include, but are not limited to, curbs, handicap access ramp projects, sidewalks, pedestrian ways, bikeways, bike racks and bicycle storage, and bicycle safety education programs.

Administration, Planning and Programming

The Imperial County Controller is eligible to use LTF to cover its expenses associated with administration and disbursement of TDA funds. IVAG, in its role as the county transportation planning agency may use LTF to carry out its administrative, planning, and programming responsibilities related to TDA programs.

Pedestrian and Bicycle Allocation

Up to 2 percent of LTF funds remaining after administration expenses, may be used for pedestrian and bicycle projects. In recent years, about \$100,000 has been used annually for these purposes by the County and cities in Imperial County.

In accord with TDA requirements, IVAG has established rules and policies for the pedestrian and bicycle claimants in Imperial County. IVAG also commissioned a countywide *Bicycle Master Plan*, building on plans developed by local jurisdictions, that was completed in 2004. The plan includes routes throughout the county and designations of the type of bike facility that is planned (Type I, II, or III).

Table 6 below provides a summary of all of the funding programs contained in Article 3 and the eligible claimants.

Table 6
Summary of Article 3 Funding Programs

Article 3 Funding Programs	
<i>Program</i>	<i>Eligible Claimants</i>
Administration	Imperial County and IVAG
Planning and Programming	IVAG
Pedestrian and Bicycle Facilities	Imperial County, and Cities
Rail Passenger Service	Imperial County, cities, and operators

Regulatory Provisions for LTF Claimants

There are regulatory requirements in Article 3 that will be discussed in more detail under Chapter VI, *Calculation of Farebox Recovery Ratio*, and Chapter VII, *Management of TDA Programs*. The administrative requirements include the following:

- Instructions Regarding Allocation Procedures
- Required Uniform System of Accounts and Records
- Reporting for State Controller’s *Annual Report*
- Recommendations for Productivity Improvements for Operators
- Annual Fiscal Audit of All Claimants
- Performance Audits of Planning Entities and Operators
- Performance Measure Definitions
- New Transit Services Cost Comparison Analysis
- California Highway Patrol Certifications
- Establishment of Social Services Transportation Advisory Council

2. Article 4—Funding for Public Transit Operators

Article 4 funds may be used for the support of public transportation systems that are operated in-house by cities or the county, public transportation research and demonstration programs, and the construction of grade separation projects. Support is also provided for transit services to elderly and handicapped persons.

Funding Categories

There are several different funding programs available in Article 4, as displayed in Table 7 below.

Table 7
Summary of Article 4 Funding Programs

Article 4 Funding Programs	
<i>Program</i>	<i>Eligible Claimants</i>
Support of public transportation systems	Transit Operators
Public transportation research & demos	Transit Operators
Construction of grade separations	Transit Operators
Contracting for transit during peak hours	Transit Operators
Bulk purchases of rail passenger tickets	Transit District
Claims for rail passenger services	County, cities, operators
Service to elderly and handicapped	County, cities and Joint Powers Agency

Public Transportation System Claims

Claims made by transit operators for support of public transportation systems under Article 4 may include reimbursement for all purposes necessary and convenient to the development and operation of the transit service.

Eligible programs and activities for Article 4 funding include planning, purchase of real estate, construction of buildings and facilities, purchase and replacement of vehicles, and the payment of bonds and other indebtedness.

Article 4 funding is also available to transit operators for system operation, maintenance and administration; planning and contributions to the planning process; construction of grade separations; and payments for contracts with common carriers for peak hour services.

For the purposes of Article 4, a transit operator is defined as a city or county that is responsible for the following activities of a transit agency: sets route structure, sets schedules, sets fares, and controls the basic quality and operation of the organization. A city or county can be considered an operator whether it leases or owns the transit vehicles, and regardless of whether it employs or contracts for transit drivers.

Regulatory Provisions

Claimants for funds to support public transportation systems, and services for the elderly and handicapped, are required in Article 4 to meet certain business standards in their operations. They are also required to undergo a TDA Performance Audit every third year.

The two financial standards that are required by Article 4 claimants are called the “50 percent expenditure limitation” and the “farebox recovery ratio”.

- **50 Percent Expenditure Limitation**

Transit operators established after 1974 are exempt from this provision of TDA. In general, this provision limits LTF funding for a transit system to 50 percent of the transit system’s budget. Funds received from the State Transit Assistance (STA) program, and certain capital expenditures for grade separated mass transit, are exempted from the 50 percent calculation.

- **Farebox Ratio Requirements**

In the simplest terms, taking a transit operation’s total fare revenues and dividing it by total expenses (minus certain exclusions) will yield a “farebox recovery ratio”. This ratio is used as an indicator of the financial health of the transit service. Transit operators who claim TDA funds must meet certain farebox ratios in order to retain eligibility for funding.

The fare box ratio for rural transit systems, in general, must be at a minimum of 10 percent. In urbanized areas, in general, transit operators must have a farebox ratio of 20 percent. There are “blended” rates between these two benchmarks that apply to specific circumstances that will be discussed in more detail in Chapter VI.

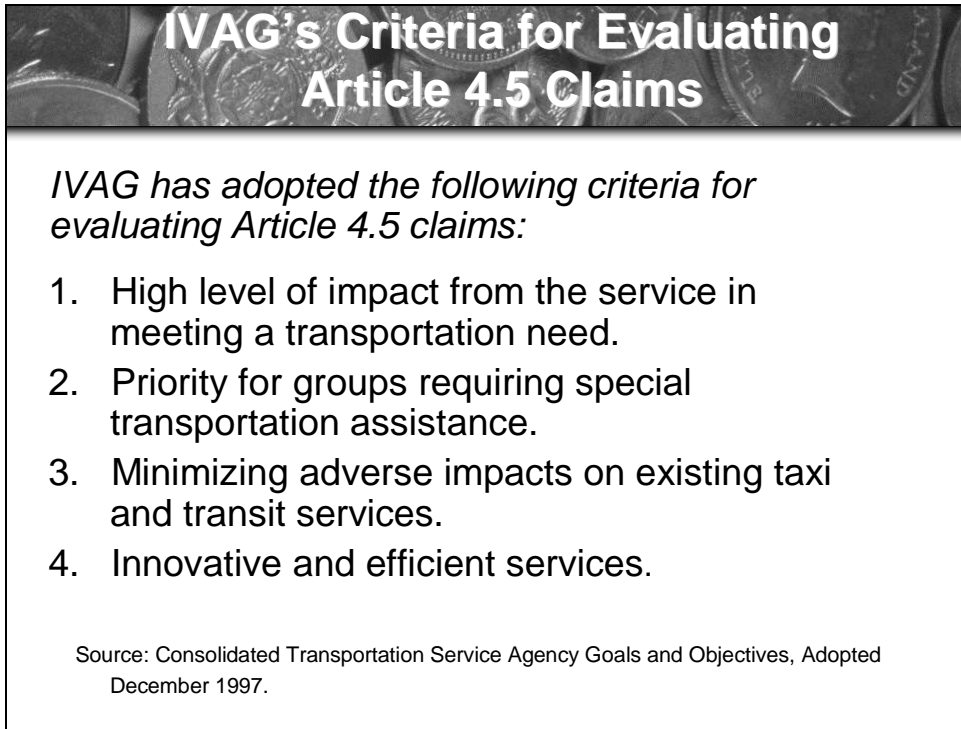
Article 4 provides for exceptions to the general rules for farebox ratios for the following specific types of transit services:

- Older Transit Operators (prior to 1974)
- Newer, Non-Urbanized Area Operators
- Exclusive Service for Elderly and Handicapped Persons
- Exemption for Extension of Services
- Portion of Urbanized Services
- New Urbanized Areas

3. Article 4.5--Funding for Community Transit Services

This Article addresses community-based transportation (trip origin and destination are both located within community boundaries), including services targeted to disabled riders who cannot use conventional transit services. An eligible organization must be designated by the regional planning agency in order to claim funds under this Article.

Table 8
Criteria for Article 4.5 Claims

A graphic with a dark background featuring a collage of coins. The title "IVAG's Criteria for Evaluating Article 4.5 Claims" is written in white, bold, sans-serif font at the top. Below the title, the text "IVAG has adopted the following criteria for evaluating Article 4.5 claims:" is written in a smaller, italicized font. This is followed by a numbered list of four criteria. At the bottom, the source is cited in a small font.

IVAG's Criteria for Evaluating Article 4.5 Claims

IVAG has adopted the following criteria for evaluating Article 4.5 claims:

1. High level of impact from the service in meeting a transportation need.
2. Priority for groups requiring special transportation assistance.
3. Minimizing adverse impacts on existing taxi and transit services.
4. Innovative and efficient services.

Source: Consolidated Transportation Service Agency Goals and Objectives, Adopted December 1997.

Consolidated Transportation Service Agency (CTSA)

A Consolidated Transportation Service Agency (CTSA), under Article 4.5, may claim funds for community transit services, including services for disabled persons who are unable to use conventional transit. A CTSA may choose to contract for provision of the transit service.

Chapter IV–Article 8 of the Local Transportation Fund (LTF)

Article 8 of the Transportation Development Act (TDA) is written for the smaller, more rural California counties. These counties are referred to as “unrestricted counties” because in the *1970 Census* their population was less than 500,000. Appropriately, this is the Article under which Imperial County claimants receive most of their LTF revenue.

It would appear that transit services funding under Article 4 is similar to that offered by Article 8 (c). The difference is in the definition of eligible “transit operator”. For purposes of Article 4, the city or county acting as transit operator is responsible for the direct operation of the service. In contrast, Article 8 (c) only applies to claimants that contract for their transit services with outside vendors.

1. Funding Categories

Article 8 provides funding for (a) local streets and roads, and projects for use by pedestrians and bicycles, (b) passenger rail service operations and capital improvements, and (c) any entity providing public transportation services under contract with a county, city or transit district. Section 8 (c) also provides funding for transit service to any group that IVAG has determined requires special transportation assistance.

Additional funding support for contracting of transit services is provided in Sections (d) and (e) of Article 8. Claimants may seek funding for administration and planning costs, and capital investments in transit vehicles, bus shelters and benches, and communication equipment.

There is also a provision in Article 8 that enables a county or city not served by a county-wide transit district to build and maintain multi-modal transportation terminals.

Each of the funding categories provided for in Article 8 is displayed in Table 9, and also discussed in more detail below.

**Table 9
Article 8 Provisions as
Applicable to Imperial County**

Article 8 Funding Programs		
Section	Purpose	Eligible Claimants
(a)	Local streets and roads Pedestrian and bicycle projects	County, Cities
(b)	Passenger rail service and capital projects	(none)
(c)	Payment to entity under contract to provide public transportation; to support any group requiring special transportation assistance.	County, Cities Transit District
(d)	Administration and planning costs associated with Section (c)	County, Cities Transit District
(e)	Capital for vehicles and equipment; bus shelters and benches, communication equipment associated with Section (c)	County, Cities Transit District
99400.5	Multi-modal Transportation Terminals	County, Cities

(a) Local Streets and Roads, and Projects for Use by Pedestrians and Bicycles

The TDA legislative language provides a broad range of eligible activities involved with claims for streets and roads:

Claims ...may include those purposes necessary and convenient to the development, construction, and maintenance of the city or county's streets and highways network, including planning and contributions to the transportation planning process, acquisition of real property, and construction of facilities and buildings."

Because TDA is focused almost entirely on transit programs, reference to local street and road projects is not found elsewhere in the legislation. Moreover, before LTF funds may be used for this purpose, there are two major conditions that must be met by any prospective county or city claimants.

The first condition for funding the construction and maintenance of streets and roads requires that the population of the claimant county be less than 500,000 in 1970. Imperial County's population was under 500,000 as reported in the *1970 Census*, and the jurisdiction is therefore eligible to use this Section of TDA. In fact, the law makes this spending option available no matter how much the county's population grows in the future.

There is a second condition that must be met before funding may be used for local streets and roads. This requires that each year, after due diligence, IVAG adopts a resolution with findings regarding any unmet transit needs that might exist within its jurisdiction. The Social Services Transportation Advisory Council must be involved in this "unmet transit needs" process. (Please see Chapter VII for a full discussion of the "unmet transit needs" process.)

There are three possible responses to the unmet needs determination, and they are displayed in Table 10 below.

Table 10
Unmet Transit Needs Findings

Alternative Findings for "Unmet Transit Needs"
<p><i>IVAG must annually make one of three alternative findings regarding transit services in Imperial County:</i></p> <ol style="list-style-type: none">1. There are no unmet transit needs.2. There are no unmet transit needs that are reasonable to meet.3. There are unmet transit needs, including needs that are reasonable to meet.

(b) Passenger Rail Service Operations and Capital Improvements.

This provision provides funding for intercity passenger rail service and associated capital improvements. It is not currently applicable to Imperial County.

(c) Entities that Provide Transit Services Under Contract (including to groups requiring special transportation services).

This provision of TDA provides for payment to cities, counties and transit districts contracting with profit making or non-profit companies for public transportation services. In this case, the public agency claimant does not employ the transit personnel.

In the contract providing for transit services, the county, city or transit district must specify the following:

1. The level of transit service that will be provided.
2. The operating plan that will implement service.
3. How the service will be coordinated with the public transportation service provided by the operator.

To qualify for Article 8 (c), the transit claimant must meet one of three financial standards. For IVAG claimants, the key standard is the farebox recovery ratio discussed in Chapter VI. The three alternative standards are displayed in Table 11 below:

**Table 11
Three Alternative Fiscal Standards**

Three Alternative Fiscal Standards
<p><i>Under Article 8, a transit service claimant must meet one of the following fiscal performance standards:</i></p> <ul style="list-style-type: none">• Comply with the 50 percent allocation limitation.• Maintain the appropriate farebox recovery ratio.• Meet performance criteria developed by IVAG.

Cities with Populations of Less than 5,000

Cities with populations of less than 5,000, may themselves operate transit systems and claim funds for operation, capital, planning, and administrative costs. Article 8 makes an exception for these smaller cities and they are not required to contract for transit services.

Cities of this size are also exempted from the 50 percent allocation limitation that typically limits LTF funding to less than 50 percent of a transit operation's total expenditures.

Providers of Special Transportation Assistance

Cities, counties or transit districts may also be paid when contracting for public transportation services for any eligible group that requires special transportation assistance, as determined by IVAG.

(d) Administrative and Planning Expenses

Under this section of Article 8, cities, counties and transit districts may be paid for the administrative and planning expenses associated with contracting for transit services as described in Section (c) above.

(e) Purchase of Capital Goods

Under this section of Article 8, cities, counties and transit districts may be paid for capital expenses that they incur while contracting for transit services as described in Section (c) above.

Capital expenses include vehicles and related equipment, bus shelters, bus benches, and communication equipment for use by the transportation services.

Section 99400.5 Multi-modal Transportation Terminals

This section of Article 8 enables a county or city to finance the construction and maintenance of multi-modal transportation terminals. This provision is limited to areas that have no countywide transit district.

2. Regulatory Provisions

These provisions are similar to the regulatory provisions found in the previous TDA articles, especially Article 4. In Article 8, however, they are better suited to regions with smaller populations such as IVAG.

The regulatory provisions are each discussed in summary below, and listed in Table 12. A more detailed presentation of the issues is available in Chapter VI, *Calculation of Farebox Recovery Ratios*, and Chapter VII, *Management of TDA Programs*.

Table 12
Regulatory Provisions in Article 8

Regulatory Provisions in Article 8
<ul style="list-style-type: none">• Transportation Planning Agency Authority• Annual Fiscal and Compliance Audit• Unmet Transit Needs Finding• Unmet Transit Needs Finding Documentation• 50 Percent Allocation Limitation• Farebox Recovery Ratio• Report of Streets and Roads Expenditures• Establishing a Joint Development Authority

- *Transportation Planning Agency Responsibility for Adopting Regulations*

This TDA provision gives IVAG the responsibility for adopting regulations and procedures for evaluating claims for pedestrian and bicycle programs, and evaluating the criteria under which LTF revenue may be used for streets and roads purposes.

- *Fiscal and Compliance Audit*

IVAG is given full access to claimants' financial accounts and records. TDA requires that all claimants submit to IVAG and to the State Controller an annual certified fiscal and compliance audit within 180 days after the end of the fiscal year.

- *Unmet Transit Needs Finding and Documentation*

Before LTF monies can be claimed for streets and road purposes, IVAG must annually adopt by resolution a finding concerning unmet transit needs in the region. The resolution must be forwarded to the Department of Transportation (Caltrans) before August 15, or within 10 days after adoption of the findings, of the fiscal year for which funding is being sought.

The unmet needs process requires consultation with the Social Services Transportation Advisory Council, at least one well advertised public hearing, and other fact finding activities. See Chapter VII for a more detailed explanation of this process.

- *50 Percent Allocation Limitation*

In general, with many exceptions, this provision limits LTF grants to less than 50 percent of the amount required to meet a city's or county's support of a public transportation program.

This section does not apply to cities with less than 5,000 in population, nor does it apply to funds allocated to street and road purposes. This provision also does not apply to transit services that are contracted for. Instead, these claimants must meet the farebox return ratios that are applicable to them as specified in Article 4.

- *Farebox Recovery Ratio*

Transit operations funded under Article 8 (c) provisions are required to attain and maintain various farebox recovery ratios, depending on the particular circumstances of the operator.

Chapter VI provides an explanation of how farebox recovery ratios are calculated, including a definition of the applicable performance indicators. There is also a discussion of the specific farebox ratio that is required of each type of transit service, depending upon the area served, the population, and type of transit service being provided.

- *Report of Streets and Roads Expenditures*

An annual certified fiscal and conformance audit of LTF monies used for streets and roads purposes is to be reported each year to the State Controller within 180 days after the end of the fiscal year. (This is also called the *180 Day Certified Fiscal Audit*.)

In turn, the state Controller publishes an annual statewide summary of such expenditures in the *Streets and Roads Annual Report* which is forwarded to the state legislature.

- *Joint Development Authority*

The TDA provisions in Article 8 allows a transit operator to enter into agreements with a public agency, public utility, or person or entity in order to conduct the activities of the transit service.

3. Transit Systems in Imperial County

Within the Imperial Valley, the cities and the County currently provide funding for eight public transit systems. These systems include an intercity fixed route service, American with Disabilities Act (ADA) paratransit services, non-medical emergency transportation service, and dial-a-ride (DAR).

All of the transit services in IVAG’s jurisdiction are currently operated on a contract basis by the sponsoring local public agency. Each of the transit services is described in Table 13, and briefly below:

Table 13
Imperial County Transit Systems and Operators

Types of Transit Services In Imperial County		
Service Name	Type of Service	Operator
Imperial Valley Transit	Inter-city, fixed route bus system	Imperial County, Public Works
AIM Transit	American with Disabilities Act paratransit service	Private non-profit by County contract
Med Express	Paratransit service, (medical non-emergency)	Private non-profit by County contract
Dial-A-Ride (DAR)	Service to general public (4 systems), and service only to persons with disabilities and seniors (Calexico).	By contract with cities of Brawley, Imperial, El Centro, Calexico; unincorporated West Shores area.

Imperial Valley Transit (IVT)

Imperial Valley Transit (IVT) is currently the only inter-city fixed route bus system operating in the region. IVT is administered by the County of Imperial Public Works Department and operations are contracted out to a private vendor.

IVT serves 5 zones throughout the County and provides service in both rural areas and incorporated cities.

AIM Transit

AIM provides American with Disabilities Act (ADA) paratransit service within a $\frac{3}{4}$ mile corridor of IVT routes, and operates during the same hours. Service is curb to curb and available to ADA certified passengers, as well as to seniors over age 60 on a space available basis.

This service is administered by Imperial County Public Works Department, and is operated by a private non-profit agency.

Med Express

This is a paratransit service that provides non-emergency medical trips between communities in Imperial County and medical facilities located in San Diego County. Service is provided Monday through Thursday.

This service is administered Imperial County Public Works and is operated by a private non-profit agency.

Local Demand Response Service

There are five public dial-a-ride (DAR) systems operating in Imperial County. The cities of Brawley, Imperial and El Central, and the unincorporated area of West Shores, all operate local general public DAR service. Calexico provides service specifically for seniors and persons with disabilities.

Each of the five DAR systems is operated through a contract with the sponsoring jurisdiction.

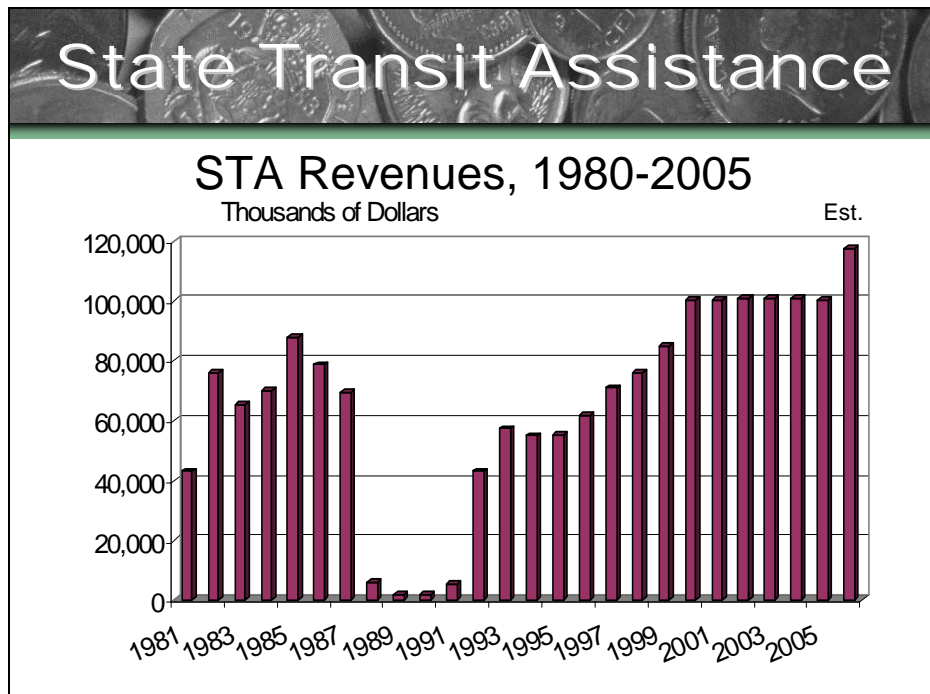
Chapter V—State Transit Assistance (STA)

The State Transit Assistance (STA) program is the second funding source provided by the Transportation Development Act. These funds may only be claimed for transit purposes, and may be received in addition to any Local Transportation Fund (LTF) support.

Funds for the STA program are obtained from several state sources, including the sales tax on diesel fuel, state sales tax revenue derived from the excise tax, and Proposition 42. Similar to LTF, the amount of STA revenues available to local agencies varies each year, according to the state's economic circumstances, and the legislature's judgment.

The following table shows the amount of STA revenue collected statewide for the years since its inception in 1980.

Table 14
STA Statewide Funding (1980-2005)



Two Types of STA Funding

The Controller’s Office distributes fifty percent of STA funds according to a regional transportation planning agencies’ total population relative to other areas of the state; these are called “population formula funds”. The other 50 percent of funding is distributed according to the ratio of the sum of the region’s prior year fare revenues and local contributions relative to those statewide; these are called “revenue formula funds”.

Use of STA Funds in Imperial County

Imperial County uses STA funding primarily to support AIM Transit, the ADA complimentary service. This frees up LTF funding for other TDA purposes.

Total STA funding varies from year to year, and the amount received by IVAG during the last five fiscal years is displayed below in Table 15.

Table 15
STA Allocated to IVAG
FY 2000-01 to 2004-05

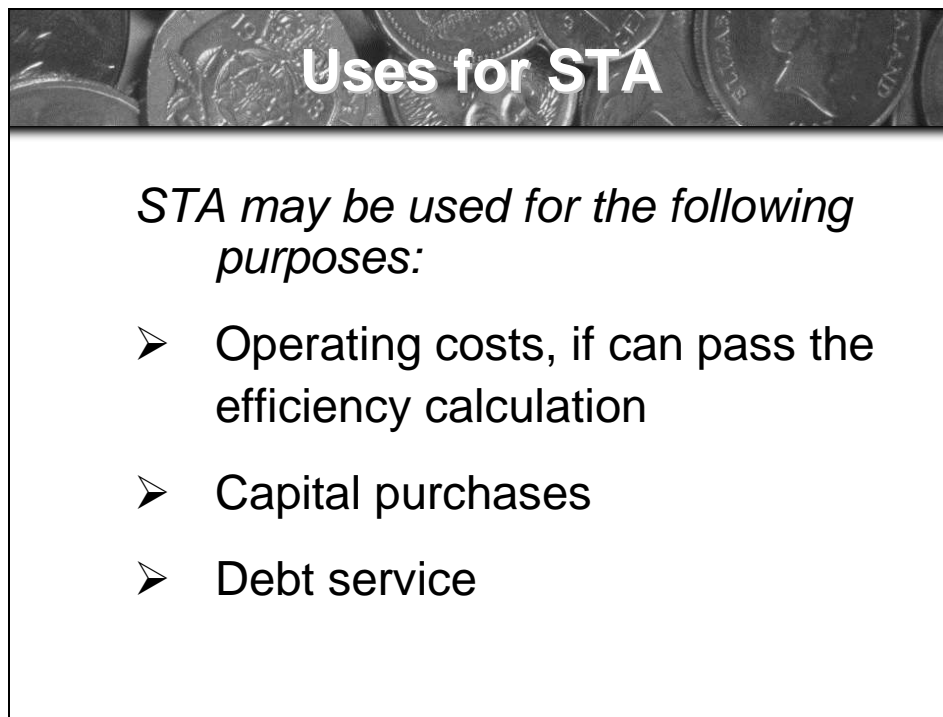
STA Funds Allocated to IVAG	
Fiscal Year	Total Allocation
2000-01	\$ 215,000
2001-02	\$ 215,000
2002-03	\$ 355,000
2003-04	\$ 215,000
2004-05	\$250,000

Source: IVAG’s annual *Transit Financing Plan*.

1. STA Funding Categories

STA funds are appropriated and allocated according to the provisions in TDA's Article 6.5. STA funding is only to be used for "transportation planning and mass transportation purposes". Both capital investments and operating expenses are eligible for STA funding, if the applicable requirements are met. Table 16 below displays the three uses of STA.

Table 16
Uses of STA



Uses for STA
<p><i>STA may be used for the following purposes:</i></p> <ul style="list-style-type: none">➤ Operating costs, if can pass the efficiency calculation➤ Capital purchases➤ Debt service

STA Funding Programs in Article 6.5

As opposed to LTF, STA can only be used for transit purposes. In Table 17, a listing of the various transit programs eligible for STA funding is displayed.

**Table 17
STA Funding Programs**

STA Funding Programs	
Funding Program	Eligible Claimants
Passenger rail service operations, and capital improvements	County, Cities, Operators
Payment to any entity under contract to provide public transportation; or for service to any group needing special transit service	County, Cities, Transit District
Administration and planning to support public transportation and special services	County, Cities, Transit District
Community Transit Services (intra-community) for disabled and others that cannot use conventional services.	Agencies approved by IVAG, submitting competitive bids.
Capital for vehicles, equipment, bus shelters and benches	County, Cities, Transit District
Transit Operator	County, Cities, Transit District, non-profit corporation

2. Regulatory Provisions

Each year, the state legislature *appropriates* a specific amount of STA funding to the regional transportation planning agencies, and notifies the State Controller of the STA available. By January 31, the Controller’s Office provides each regional agency with an estimate of their STA allocation for the next fiscal year beginning July 1. The Controller *allocates* STA money to regional agencies according to the population and revenue formulas specified in the TDA statute.

Eligible Claimants

Transit operators, and cities and counties that contract for transit services are eligible claimants for STA population formula funds. Consolidated Transportation Service Agencies (CTSAs) may claim both population and revenue formula funding. CTSAs provide services to persons with disabilities, and others unable to use conventional transit as provided for in Article 4.5 of the TDA.

A claimant must be eligible for LTF transit funding under either Article 4 or Article 8 in order to receive STA population formula funds. However, only transit operators eligible to claim LTF funding under Article 4 may also apply for STA revenue formula funds.

Revenue formula funds may also be used for community transit services as specified in Article 4.5. Currently, no STA revenue formula funds are appropriated to Imperial County because there are no Article 4 claimants.

Fiscal Reporting Requirements and Standards

STA legislation contains several requirements for reporting of fiscal data to IVAG and to the State Controller. These requirements are explained below.

- **Certified Fiscal Audit**

The TDA statute requires that all claimants submit a certified fiscal audit annually to their regional transportation planning agency and to the State Controller within 180 days after the end of the fiscal year. The fiscal report must include the audited amounts for the prior fiscal year.

- **Farebox Recovery Ratio**

For the purpose of allocating the STA “revenue formula” funding, claimants are required to send annual reports to the State Controller 90 days after the close of the state’s fiscal year.

The State Controller reports are to include: (1) Amount of revenue generated from each source, and its application for the prior fiscal year, (2) Data necessary to determine which farebox recovery ratio applies to the claimant’s transit operation. (Chapter VI describes how the farebox recovery ratio is calculated.)

- **Efficiency Standards for Transit Claimants**

There is a financial standard that must be met in order for a transit claimant to use STA funds for operations. Article 6.5 contains an efficiency standard that may be met in one of two ways, as described briefly below.

1. The annual increase in an operator’s total operating cost per revenue vehicle hour (rvh) does not exceed the

average cost per rvh in the preceding three fiscal years increased by the Consumer Price Index (CPI).

2. The operator's average operating cost per rvh over the most current three fiscal years does not exceed the average cost per rvh in the preceding three fiscal years and increased by the CPI.

The TDA makes several allowances in the above calculations for factors that are not under the control of transit operators, such as unusual increases in fuel and insurance costs. When a transit operator is not eligible to use STA for operations, it may use it for capital projects.

Chapter VI—Calculation of Farebox Recovery Ratio

Transit systems receiving TDA funding are required to maintain a certain expense to revenue ratio, known as the “farebox recovery ratio”. The ratio standards are different, depending upon various factors such as whether the service area has a population of over 50,000 residents, and the type of service provided, such as demand-responsive, or fixed route public transportation.

The first part of this Chapter includes a description of how to calculate the farebox recovery ratio, definitions of the operating data that is required in computing the farebox ratio, and the specific performance indicators that are to be used according to the TDA legislation.

In the second part of this Chapter, attention is turned to IVAG’s transit claimants. Information is given concerning the various farebox ratios that are specified in TDA, and which of these ratios apply to IVAG claimants. Lastly, the performance standards that have been adopted by IVAG in the 2004 *Short Range Transit Plan* are discussed.

Calculating the Farebox Recovery Ratio

The formula for calculating the farebox ratio is total fare revenue divided by the total cost of transit operations. However, care must be taken to include only eligible fare revenue in the equation. Similarly, care must be taken to exclude certain expenses.

The general category of revenue for purposes of calculating farebox ratio includes fare revenue, local support, and specialized service.

- Fare Revenue includes:
 - Passenger Fares for Transit Services—Full adult, senior, student, child, handicapped, special and reduced.
 - Special Transit Fares—includes guaranteed revenues collected by an organization for rides given along special routes.
 - School Bus Service—collected from schools

- Local Support includes:
 - Taxes levied directly by the transit system
- Specialized Service includes:
 - Local Special Fare Assistance—subsidies collected from local governments to help offset the difference between full adult fares and special reduced fares.
 - Subsidy from Other Sector of Operation—funds collected from non-transit sectors to help cover transit system costs.

Operating costs **include** the following items for purposes of calculating the farebox ratio of a transit system. These categories along with their account numbers are taken from the *State Controller's Transit Reporting Guidelines*.

- Labor (Account No. 501.000)
Pay and allowances due employees in exchange for the labor services they render on behalf of the transit system.
- Operators Salaries and Wages (Account No. 501.010)
Pay and allowances due for the labor of employees of the operator who are classified as revenue vehicle operators or crewmen.
- Other Salaries and Wages (Account No. 501.020)
Allowances for the labor of employees of the transit system who are not classified as revenue vehicle operators or crewmen.
- Fringe Benefits (Account No. 502.000)
Payments or accruals to others on behalf of an employee: insurance companies, government, and payments directly to an employee for something other than the performance of work.
- Services (Account No. 503.000)
Labor and other work provided by outside organizations for fees and related expenses. Includes management service fees, professional and technical services, temporary help, and contract maintenance services.

- Materials and Supplies (Account No. 504.000)
 - Fuel and Lubricants (Account No. 504.010)*
Tangible products obtained from outside suppliers, such as gasoline, diesel fuel, propane, lubricating oil
 - Tires and Tubes (Account No. 504.020)*
Includes freight in, purchase discounts, cost discounts, sales taxes, excise taxes. Also includes lease payments for tires and tubes rented on a time period or mileage basis, or the replacement costs of tires and tubes on vehicles.
 - Other Material and Supplies (Account No. 504.990)*
Costs of tangible products obtained from outside suppliers or manufactured internally for which there is not another account provided. Include taxes and freight.

- Utilities (Account No. 505.000)
Payments for electricity, gas, water, telephone.

- Casualty & Liability Costs (Account No. 506.000)
Costs covering protection of the operator from loss through insurance programs, compensation to others for their losses due to acts for which the transit system is liable. Do not include cost of repairing damaged property.

- Taxes (Account No. 507.000)
Taxes levied against the transit operator by the Federal, State, and Local governments such as sales and excise taxes on fuels and lubricants.

- Purchased Transportation Service (Account No. 508.000)
Payments or accrual to other transit systems for providing transportation service. Include an amount equal to the fare revenues that are retained by the service provider that are not reported in Passenger Fare for Transit Service (Account 508).

- Miscellaneous Expense (Account No. 509.000)
Costs for which a specific account is not provided.

- Expense Transfers (Account 510.000)
Reporting adjustments and reclassification of expenses previously recorded.

- Interest Expense (Account No. 511)
Charges for the use of borrowed capital incurred by the transit operator. (Interest payments on construction debt should be capitalized and not reported on this line.)
- Leases & Rentals
Payments for the use of capital assets not owned by the operator.

Operating costs are to **exclude** depreciation and amortization, charter service costs and vehicle lease costs. The costs of providing ridesharing services are also excluded.

Beginning in January 2004, state legislation (AB 813) provided for two exclusions when computing the farebox ratio:

- Cost increases from the prior year in liability insurance that exceed the CPI (this provision expires January 2007).
- Cost increases from the prior year for providing complementary ADA paratransit services that exceed the CPI.

It should be noted that the AB 813 provisions are for the purpose of determining the TDA farebox ratio, and should not be a part of the cost figures sent to the State Controller.

Table 18 below illustrates the farebox ratio calculation.

Table 18
Calculating Farebox Ratios

Calculating Farebox Recovery Ratio
<p>Revenues = Passenger fares from transit operations (includes contractual subsidies, and cash donations in lieu of fares) .</p>
<p>Operations Costs = All costs (excludes depreciation and amortization, charter service costs and vehicle lease costs.)</p>
<p>Farebox Ratio = Fare Revenues/Operations Costs</p>

TDA Standards for Farebox Recovery Ratios

For fixed route public transportation systems, operating in urbanized areas with a population over 50,000, the TDA requires a farebox ratio of 20 percent. This ratio applies except in the following circumstances:

- In counties with less than 500,000 residents (such as Imperial County), the regional transportation planning agency (IVAG) may reduce the farebox ratio requirement to 15 percent after providing proper justification.
- The transit service was in operation in the 1978-79 fiscal year, and had a higher ratio at that time. In that case, the higher ratio must be maintained.
- The service area is both rural and urban. In this instance the ratio can be set between 10 percent and 20 percent. A methodology to derive the “blended” ratio must be developed by IVAG and submitted to Caltrans for approval.

- New urbanized area--the service area has changed from rural to urbanized (population over 50,000). The transit operator has up to 5 years to reach the new higher farebox ratio.
- An extension of service is exempt from the farebox ratio for two years after the end of the fiscal year when the extension was made.

“Extension of service” includes additions of geographical areas or route miles, more frequent service, new hours of service, new days of service or new type of service (van, taxi, or bus).

- Waivers for labor disputes—if there have been two separate work stoppages for 15 days or longer, and one of the stoppages was not caused by a labor dispute with the operator.

For fixed route transit operators established after 1978-79, serving in rural areas (population less than 50,000) the TDA requires a farebox ratio of 10 percent.

Transit services operated exclusively for elderly and handicapped persons are required by TDA to achieve a farebox ratio of 10 percent. General public dial a ride service is subject to a 10 percent/rural, or a 20 percent/urban, farebox requirement.

Table 19 below summarizes the farebox recovery ratios that are required by the TDA legislation, as applied to various urbanized and rural operators, and to fixed route and demand response services.

Table 19
Various Farebox Ratios
Required by TDA

TDA Required Farebox Ratios		
Claimant	Description	Required Ratio
Transit Operator	Service in an urbanized area, defined as a population of 50,000 or more. (Service that began after 1979.)	20%
Transit Operator	Non-urbanized area	10%
Transit Operator	Serving both urbanized and non-urbanized areas.	IVAG adopts 10%--20%,
Transit Operator	Service for elderly and disabled persons only.	10%
Transit Operator	Service for elderly and disabled plus general public.	10%-- rural 20%--urbanized

Failure to Meet Farebox Ratio

If a claimant fails to meet their farebox ratio for a fiscal year, its TDA funding level will be reduced by the amount of required revenues that was not maintained. There is a grace year if this is the first time the claimant has failed to meet the farebox requirement. Otherwise, after the non-compliance year, the next fiscal year is called the “determination year”. This is followed by the “penalty” fiscal year when funds are withheld in an amount equal to the deficit that occurred in the non-compliance year.

Farebox Ratio Standards Adopted by IVAG

For Article 8 transit systems, IVAG has the authority in TDA to set farebox ratios at any level that it determines to be appropriate, if that is desired. The legislation, however, requires that IVAG state the reasons for its decision to change the farebox standard.

IVAG is given the responsibility to make adjustments to the farebox ratio when an operator’s area of service changes from rural to urbanized, as is the case with the DAR services operated by EI

Centro and Imperial. The fixed route operator, IVT, is operating in a service area that includes both urbanized and rural areas. The required farebox ratio is therefore set between 10 percent and 20 percent to reflect the proportion of urbanized/rural areas as determined by IVAG.

Table 20 below gives a comparison of the TDA farebox ratios and the IVAG adopted farebox ratios for each transit operator in IVAG’s jurisdiction.

Table 20
Comparison of TDA and IVAG
Requirements for Farebox Ratio
(Fiscal Year 2004-05)

Farebox Ratios for Transit Systems in Imperial County		
Name of Transit Service	TDA Standard Ratio	IVAG Standard Ratio (SRTP)
Imperial Valley Transit	10% to 20% range	13.4% (Blended)*
AIM Transit	10%	10%
Med Express		26%
Calexico DAR (only for elderly and disabled)	10%	10%
Brawley DAR	10%	10%
Imperial DAR	20% (new urban)**	20%
EI Centro DAR	20% (new urban)**	25%
West Shores DAR	10%	10%

* Rural to urban service area

** Systems transitioning from rural to urbanized

TDA Performance Indicators

All transit operators claiming TDA funds under Article 4 must have triennial performance audits conducted of their systems. This is optional for Article 8 claimants, the Article used by claimants in IVAG’s jurisdiction. However, all transit operators must annually report to the State Controller the results of six “performance indicators” as specified in TDA. These performance indicators have

been selected in order to assist transit operators in achieving greater efficiency, effectiveness and economy in their operations.

In Table 21 below, the six performance indicators contained in the TDA legislation can be reviewed.

Table 21
TDA Performance Indictors

TDA Performance Indicators
<p><i>TDA specifies six performance indicators:</i></p> <ul style="list-style-type: none">• Operating Cost per Passenger• Operating Cost per Vehicle Service Hour• Passengers per Vehicle Service Hour• Passengers per Vehicle Service Mile• Vehicle Service Hours per Employee• Farebox Recovery Ratio

Definitions of Performance Indicators

In order to achieve accurate and uniform results from transit operators throughout the state, the TDA provides definitions of the terms used in each of the performance indicators.

Table 22 provides the definitions of the TDA terms that are used in the annual calculation of performance indicator results as they are to be reported to the State Controller. (The definition for the operating costs here differs somewhat from what is used for calculating the farebox recovery ratio).

Table 22
Definitions of Data Required
By Performance Indicators

Definitions of Data Required for Performance Indicators	
Performance Data	Definition
Operating Costs	All operating expenses except depreciation and amortization.
Fare Revenue	Passenger fares for transit service, special transit, charters, and school bus revenue. Also fees paid by employers, shopping centers, etc.
Passenger Counts	Total number of unlinked trips; all boardings, whether revenue producing or not.
Vehicle Service Hours	Time a vehicle is available to fare-paying passengers. From first passenger pickup to last drop-off.
Vehicle Service Miles	Total number of miles traveled to provide public transportation for which a fare is collected. Includes from first pick up to last drop off. Does not include “deadhead miles”.
Employee Hours and Full Time Equivalent	All hours worked by persons employed in connection with transit system (employees and contractors). FTE

Which Operational Attributes the Performance Indicators Measure

The purpose of performance indicators, according to the TDA legislation, is to promote efficiency, effectiveness and economy in transit operations. Each of the indicators measures either a transit system’s efficiency or effectiveness. “Efficiency”, as defined by prominent organizational theorist Peter Drucker, is “doing things right”, and “effectiveness” according to Drucker is “doing the right things.”

Table 23 shows the performance indicators that measure efficiency, and those that address operational effectiveness.

Table 23
Attributes Performance Indicators Measure

Attribute Measured by Each Performance Indicator	
Indicator	Objective Measured
Operating cost per passenger	Cost efficiency
Operating cost per vehicle revenue hour	Cost efficiency
Operating cost per mile	Cost efficiency
Subsidy per passenger	Cost efficiency
Passengers per day	Service effectiveness
Passengers per vehicle revenue hour	Service effectiveness
Passengers per vehicle revenue mile	Service effectiveness
Vehicle service hours per employee	Cost efficiency
Farebox recovery	Cost effectiveness

Performance Indicators Used by IVAG

In the *Short Range Transit Plan* adopted by IVAG in 2004, there were eight performance indicators identified for use by transit claimants. These performance indicators include three measures that are not specified in the TDA legislation: passengers per day, operating cost per mile, and subsidy per passenger. Table 24 below displays the performance indicators adopted by IVAG for use by Imperial Valley Transit.

Table 24
IVAG Performance Indicators
Adopted in *Short Range Transit Plan*

Short Range Transit Plan's Performance Standards for IVT	
Performance Measure	SRTP Standard
Passengers per Hour	18.0
Passengers per Mile	0.75
Passengers per Day	1,000.00
Operating Cost per Hour	Increase no more than CPI
Operating Cost per Mile	Less than \$2.00
Farebox Recovery Ratio	16%
Operating Cost per Passenger	Less than \$5.00
Subsidy per Passenger	Less than \$4.47

Productivity Improvement Program

The regional transportation planning agency (IVAG) has the responsibility, under TDA, to annually identify, analyze and recommend to each transit operator in their jurisdiction improvements that could be made to lower their operating costs.

In carrying out this task, a committee may be formed of representatives from transit operator management, employee organizations, and users of the transportation services in order to give advice concerning potential productivity improvements and strategies to reduce operating costs.

Before an allocation of TDA funds is made to a transit operator, a review should be made of the operator's efforts to institute the productivity recommendations made in the prior year.

Chapter VII—Management of the TDA Program

The California legislature gave two objectives for the Transportation Development Act (TDA) funding program when the legislation was enacted in 1971:

1. It is in the interest of the State that funds available for transit development be fully expended to meet the transit needs that exist in California.
2. Such funds are expended for physical improvement to improve the movement of transit vehicles, the comfort of the patrons, and the exchange of patrons from one transportation mode to another.

It is clear from the above statements of legislative intent that ideally, TDA funds will be used in the year in which they are allocated, with a minimum of “holdovers” from year to year. The legislature wanted the funds to be used in a timely fashion to build up the state’s public transportation services and infrastructure.

Appropriating and Allocating LTF and STA funds

- **Role of the State Controller**

The State Controller notifies the County Auditor of the annual TDA appropriation that is available to the County, including LTF and STA funds. This process begins as an estimate of funds available in January, and then more accurate updates are transmitted to the County Auditor throughout the year.

The State Controller has an adopted uniform system of accounts and records for use in reporting TDA funding activities. In this regard, the Controller requires certain annual fiscal reports of each TDA claimant from IVAG and the County Auditor.

- **Role of the County Auditor**

The County Auditor manages a local transportation fund within the county treasury, and pays claimants from this fund according to directions it receives from IVAG. Funds may be dispersed to claimants in one payment, in installments, or as money is available, according to IVAG’s instructions.

Annually, the County Auditor submits fiscal and compliance audits of LTF funds to IVAG, the California Transportation Commission (CTC), and the State Controller.

- Role of IVAG

IVAG is the regional transportation planning agency (RTPA) for the cities and unincorporated areas within the County of Imperial. In this role it has the responsibility each year to *apportion* and *allocate* Transportation Development Act (TDA) funds that have been *appropriated* to its jurisdiction.

Each year, a state *appropriation* of Local Transportation Fund (LTF) and State Transit Assistance (STA) funds are earmarked to IVAG as the RTPA for Imperial County. From the total sum *appropriated*, IVAG makes an *apportionment* to each of the eligible claimants in its jurisdiction, based on population. IVAG then notifies all of the eligible claimants of their annual TDA apportionment.

Through the claims process, claimants indicate the programs and projects they would like to fund during the next fiscal year. After a review of the claims, IVAG *allocates* the funds according to the accepted claims, and notifies the County Auditor of these allocations. The County Auditor then disperses the TDA funds according to these allocations.

In notifying the County Auditor of the TDA allocations that have been made to each of the eligible claimants, IVAG is also required to convey allocation instructions regarding dispersal of the funds.

In summary, IVAG as administrator of TDA funds has the following responsibilities:

- Apportions LTF and STA funds to eligible claimants
- Allocates LTF and STA funds to eligible claimants
- Manages claims process for LTF and STA funding
- Monitors use of the funds to ensure fiscal responsibility

Summary of Important TDA Report Dates

TIME PERIOD	ACTIVITY
January to March	
January 1	State Controller sends preliminary STA estimate to IVAG and CTC
February 1	County auditor gives LTF estimate to IVAG.
March 1	IVAG advises LTF claimants of their apportionments with the county.
April to June	
April 1	Claimants file their budget for LTF and STA funding with IVAG.
June 30	IVAG gives LTF allocation instructions to LTF claimants and to County Auditor
June 30	Last day of state fiscal year.
July to September	
August 1	State Controller sends revised STA estimates to IVAG and the CTC.
August 15	IVAG submits unmet transit needs finding documentation to Caltrans.
September 1	IVAG provides Caltrans and the State Controller with a schedule of performance audits with a list of those to be audited.
September 30	IVAG submits annual financial transaction reports to the State Controller
September 30	Transit service claimants submit reports of operation to IVAG and State Controller.
October to December	
October 1	Non-transit claimants submit expenditure reports to the State Controller.
December 30	IVAG submits fiscal and compliance audit of STA to State Controller.
December 30	All claimants submit fiscal and compliance audit to IVAG and CTC.
December 30	County Auditor submits fiscal and compliance of LTF to IVAG and CTC.

Required Audits and Reports

The following fiscal reports and audits are required of TDA claimants, and the regional transportation planning agency.

- *State Controller's Annual Report of Financial Transactions of Transit Operators* (90 Day State Controller's Report)

The annual report to the State Controller includes basic financial information from TDA claimants including a list of all sources of revenues, purposes of expenses, and capital additions to equity for transit purposes.

Transit services are required by the State Controller's uniform accounting system to maintain records and to file reports on a full accrual enterprise basis of accounting.

The *Transit Operators and Non-Transit Claimants Annual Report* prepared each year by the State Controller contains data from more than 208 agencies throughout California.

- Annual Certified Fiscal Audit (180 Day Report)

An annual certified fiscal and conformance audit conducted by an independent Certified Public Accountant of every TDA claimant must be submitted to IVAG and the State Controller with 180 days of the fiscal year end.

- Triennial TDA Performance Audits

A triennial TDA Performance Audit is a systematic process of evaluating an organization's effectiveness, efficiency and economy in the conduct of its operations. The objectives of the audit are to provide a means for evaluating an organization's operating performance, and also to seek ways to enhance that performance by making recommendations for improvements to its administrative processes and operational functions.

Triennial performance audits are conducted of all California's regional transportation planning agencies, such as IVAG. According to the *Caltrans Performance Audit Guidebook*, and state code, transit operators that receive TDA allocations under Article 8 are not mandated to commission triennial performance audits of their operations. However, the Guidebook encourages these audits because they are beneficial to improving transit operations.

- Report of Streets and Roads Expenditures

Expenditures for streets and highway purposes must be reported annually to the State Controller. The *Transit Operators and Non-Transit Claimants*

Annual Report includes a list of the jurisdictions for which funds have been allocated, the amount of the allocations, and the total funds available to each jurisdiction.

- IVAG Simi-Annual Transit Operators' Report

Twice a year, IVAG collects performance data from the transit operators. The information requested includes the following:

- Vehicle miles
- Days of service
- Vehicle hours
- Ridership
- Fare revenues
- Operating costs
- Subsidy

From the above information IVAG calculates several performance measures. These include the following:

- Passengers per hour
- Passengers per mile
- Passengers per day
- Vehicle hours per employee
- Operating Cost per passenger
- Operating Cost per vehicle revenue hour
- Subsidy per passenger
- Operating cost per hour
- Operating cost per mile
- Farebox ratio

Table 25
Required TDA Reports



TDA Required Reports
<ul style="list-style-type: none">➤ Triennial Performance Audit➤ Annual Fiscal Audit Report➤ Annual State Controller Report➤ Annual Unmet Transit Needs Findings Report➤ Annual Street/Road Report to State Controller

Unmet Transit Needs Process

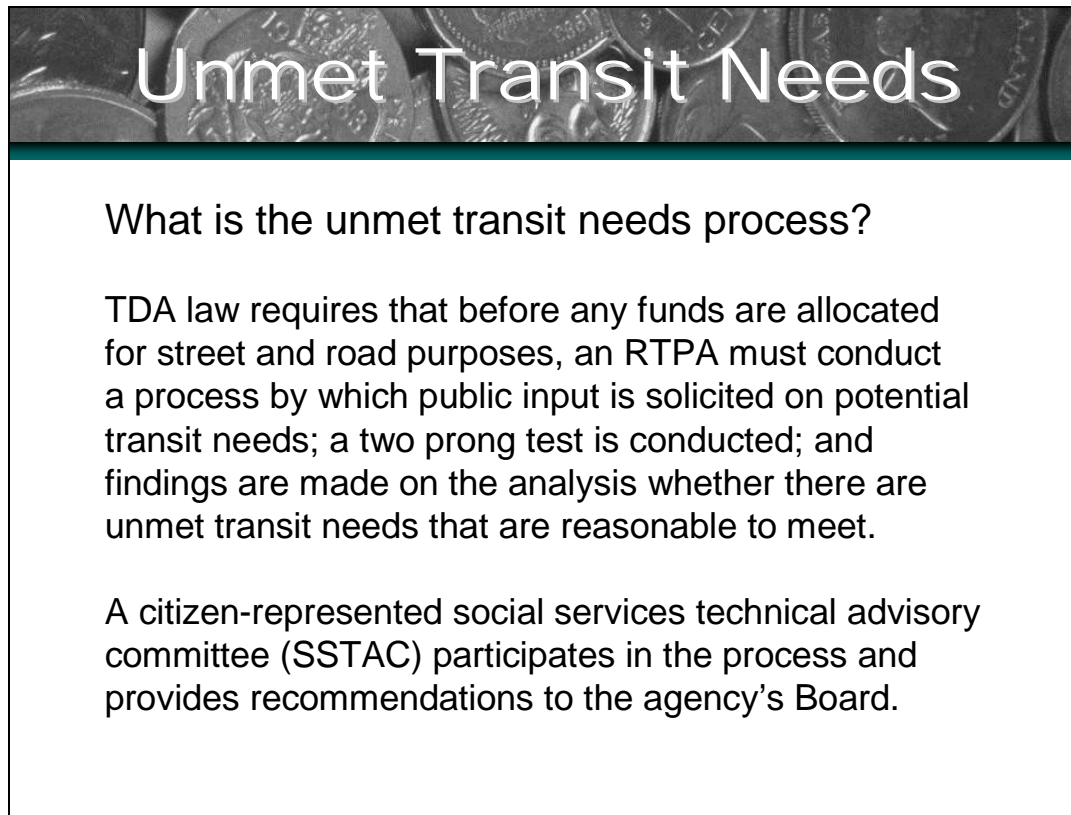
TDA law requires that before any funds are allocated for street and road purposes, IVAG must conduct a process by which public input is solicited on any potential transit needs the community might have; this is called the “unmet transit needs process”.

The unmet needs process involves a two step fact finding process that begins with a question: (1) Are there unmet transit needs in the community? This is followed by another question, (2) Are they reasonable to meet? A citizen-represented social services technical advisory committee (SSTAC) participates in the process and provides recommendations. After due diligence and a public hearing, the findings are compiled in an Unmet Needs Report that is submitted to IVAG and forwarded to Caltrans.

IVAG keeps a master list of identified transit needs and uses the list as a basis for discussions by the SSTAC. The issues are prioritized for the unmet needs public

hearings that are held in the community at least once a year. The SSTAC meets to review and evaluate transit services and needs throughout the year.

Table 26
Definition of Unmet Transit Needs Process

A graphic with a dark background featuring a collage of various coins. The text "Unmet Transit Needs" is written in a large, white, sans-serif font across the top. Below the title, the text is contained within a white rectangular box with a thin black border. The text inside the box is as follows:

What is the unmet transit needs process?

TDA law requires that before any funds are allocated for street and road purposes, an RTPA must conduct a process by which public input is solicited on potential transit needs; a two prong test is conducted; and findings are made on the analysis whether there are unmet transit needs that are reasonable to meet.

A citizen-represented social services technical advisory committee (SSTAC) participates in the process and provides recommendations to the agency's Board.

- **IVAG's Definition of Unmet Transit Needs**

Every regional transportation planning agency in California is required to define "unmet transit needs" for their local community. In 1992, the IVAG Regional Council adopted the following definition:

"Unmet Transit Needs are at a minimum, those public transportation or specialized transportation services that are identified in the *Regional Short Range Transit Plan*, *Regional Transportation Plan* or similar Mobility Plan that have not been implemented or funded."

Table 27
Checklist for Evaluating Unmet Transit Needs Process

Unmet Transit Needs

Publicity/Public Participation	Yes	No
Was there 30 days Public Notice?	X	
Is there Proof of Publication?	X	
Or is there a Legal Notice Affidavit?		X

Definitions	Yes	No
Are there Unmet Transit Needs Definitions?	X	
Are there Reasonable to Meet Definitions?	X	
Was there a Resolution?	X	
Or were the definitions approved in the minutes?		X

Notice of Findings	Yes	No
Notice of Findings Resolution?	X	
Was notice submitted within 30 days of Agency's approval?	X	
Are there signatures on the resolution?	X	

Other Comments:

• **Findings of the Unmet Needs Report**

There are three findings, one of which must be chosen at the end of the unmet needs process. The three alternative findings are the following:

1. There are no unmet transit needs, or
2. There are no unmet transit needs that are reasonable to meet, or
3. There are unmet transit needs, including needs that are reasonable to meet.

The report of the unmet needs findings must be sent to IVAG, and IVAG submits it to Caltrans by August 15 or within 10 days after adoption of the finding, whichever is later.

Chapter VIII Guidelines for Audit of TDA Compliance

This guide has been prepared to meet the requirements of the Transportation Development Act (TDA) with respect to conformance audits of claimants. The Public Utilities Code (PUC) sections, California Code of Regulations (CCR) sections, and IVAG Guidelines included herein are significant in auditing claimant's compliance with TDA requirements.

It is IVAG's opinion that a conformance review of the sections referred to in this guide will meet the requirements of PUC Section 99245 and CCR Sections 6664, 6666, and 6667 for most claimants.

In the event that certain claimants are subject to sections not state herein, the provisions of the Transportation Development Act and the California Code of Regulations for the audit year shall control the determination of conformance.

The annual fiscal audit shall include a certification that funds allocated to the claimant were expended in conformance with applicable laws, rules, and regulations of the Transportation Development Act and allocation instructions of the Imperial Valley Association of Governments. Refer to Exhibit III for a suggested statement of conformance.

Auditing for Conformance

General Guidelines

Application of the following procedures will provide a standard approach in auditing for conformance and should be applied during the preliminary stages of the fiscal audit:

- Obtain and review relevant documents and statements.
- Review tasks 1-17; perform as appropriate.
- Interview responsible personnel as to compliance with laws, rules and regulations.
- Seek verification of above interviews.
- Document the conformance review.

The procedures are described in detail in the following text.

Obtain and Review Relevant Documents and Statements:

- TDA claim/claims corresponding to fiscal year being audited and related allocation instructions.

- Statement by claimant that an effort was made to obtain federal funds for any major capital intensive improvement.
- Management statements designating exceptions, waivers and/or provisions of the Transportation Development Act that claimant may be subject to that are not identified in Tasks 1-17.
- Copy of claimant's Short Range Transit Plan.
- Copy of State Controller's Uniform System of Accounts and Records for Transit Operators.
- Current copy of Transportation Development Act Statutes and California Code of Regulations, and the IVAG Guide to the Transportation Development Act.
- Books, records, financial reports, and other pertinent data of claimant.

Review Tasks 1-17; Perform As Appropriate

Interview Personnel

Interview responsible personnel as to compliance with laws, rules and regulations. Upon identification of the applicable laws, rules, and regulations relating to conformance tasks, responsible personnel representing claimant should be questioned as to claimant's compliance. Comments and observations should be encouraged in addition to yes or no responses.

If nonconformance is suggested or determined, further discussion should be held with senior personnel.

Seek Verification

Seek verification of above interviews. Two of the facts that generally determine the amount of evidence necessary to verify conformance are:

- The procedures and systems of controls used by the claimant to ensure reliability of management information;
- The significance of the conformance area. (The auditor should obtain more evidence to verify compliance if procedures or controls are not adequate or the conformance area is significant.)

The process of verifying conformance may involve:

- Testing the records and procedures of the claimant.
- Observing the operations and physical assets of the claimant.
- Analyzing information and data.
- Interviewing additional personnel.

The procedures selected to verify conformance answers are a matter of judgment on the part of the auditor. However, regardless of the method selected, the auditor should be satisfied that the answers given during the conformance interviews are accurate and correct in all material respects.

Document the Review

The determination of conformance with applicable laws and regulations should be documented.

A simple and effective method of documenting the conformance review is to use a columnar work paper to record the responses and the comments of the claimant and the types of procedures used to verify the responses and comments. Exhibit I illustrates the above procedure.

Compliance Audit Tasks

In order to meet the conformance audit provisions of the Public Utilities Code (PUC) Section 99245 and the California Code of Regulations (CCR) Section 6664, the tasks contained herein should be completed by the auditor in addition to tasks prescribed by current legislative and/or administrative code changes and any additional provisions specifically applicable to claimant.

Task 1 (All Claimants)

Determine that claimant is eligible under one of the following Transportation Development Act Articles:

PUC 99234	Article 3, Pedestrian and Bicycle Facilities
PUC 99260	Article 4, Public Transportation System
99260.2	
99260.7	
PUC 99275	Article 4.5, Community Transit Services
PUC 99233.7	Article 4.5, Consolidated Transportation Service Agencies
PUC 99313	Article 6.5, State Transit Assistance Fund
99314	
PUC 99400a	Article 8, Streets and Roads Facilities
PUC 99400c	Article 8, Public Transit Service
PUC 99400e	Article 8, Fixed Facilities

Task 2 (All Transit Claimants)

PUC 99243	Determine that claimant has maintained accurate and complete records and has prepared and submitted the 90 day annual report of its operations in accordance with the Uniform System of Accounts and Records adopted by the State Controller.
CCR 6637	

Task 3 (All Transit Claimants)

CCR 6634	Determine that claimant did not receive TDA funds in excess of the amount claimant was eligible. If it is found that excess funds have been received, determine that they have been properly accounted for. Identify by footnote to the financial statement the manner in which the agency has treated any excess.
	Determine that claimant has not recorded as income or as an account receivable any TDA allocation being reserved in the Local Transportation Fund (LTF) or committed in the State

Transit Assistance Fund (STF). If either case is determined, the financial statement should be footnoted.

Task 4 (Article 6.5 Claimants Only)

PUC 99314.5 Determine that claimant was eligible to receive State Transit
PUC 99314.6 Assistance.

Task 5 (All Claimants)

CCR 6649 Determine that funds expended were eligible expenditures under the provisions of the Transportation Development Act. Determine that proposed budgets contained within the claim for the audit year are consistent with the audited financial statements and the Short Range Transit Plan. If an excess exists, refer to Task 9.

Task 6 (All Claimants)

CCR 6636 Determine that claimant has expended funds in accordance with the terms of the allocation instruction of the IVAG. Verification of the expenditure of funds in conformance with the instruction should be on the basis of material conformance.

Task 7 (Article 6.5 Transit Claimants Only)

CCR 6751 Determine the amount of STA funds apportioned and received by the operator.

Task 8 (Article 4 and 4.5 Claimants)

PUC 99251 Determine that claimant has required California Highway Patrol Certification regarding participation in the Drivers Pull Notice Program.

Task 9 (All Transit Claimants)

CCR 6655.1 Include in the footnotes a detailed breakdown of TDA reserves held by the claimant in its own account. For each unspent dollar in a claimant's account, determine:

- (1) The years in which such funds were authorized for apportionment and subsequently received by the claimant.
- (2) The amount of earned interest attributable to the reserves identified above; and
- (3) The identification of obligations and commitments to spend such funds.

Capital reserves must be drawn down within three years of the original reserve date. Funds which have been drawn down by a claimant must not be held in their own account for more than three years minus the time such moneys lay reserved in the LTF. If funds were reserved in the LTF for a fully three years, the claimant must fully expend or obligate the funds by June 30 of the following fiscal year.

IVAG will require all expired reserves to be returned to the LTF. These funds will be considered unallocated apportionments to be retained in the LTF for the same area of apportionment.

Task 10 (All Claimants Except Article 3 Claimants)

PUC 99268.1-19 Determine whether claimant is subject to and has met the 50 percent expenditure limitation **or** the fare ratio requirement.

PUC 99405 Financial statements should be footnoted as to which section is applicable to claimants. If claimant is subject to the 50 percent expenditure limitation, include Exhibit II as footnote to financial statement. If subject to fare ratio, the required ratio should be state in the footnote. The actual fare ratio much be calculated in the footnotes.

Task 11 (Article 4 Claimants Only)

PUC 99271 Determine that the employee retirement system or pension plan of claimant is in conformance.

Task 12 (All Claimants)

PUC 99301 Determine that interest earned on TDA funds allocated is properly accounted for and was expended only for those purposes for which the funds were allocated.

Task 13 (All Transit Claimants)

Determine if claimant received support services and, if so, did claimant comply with Section II requirements of IVAG TDA Guide.

“Claimants may receive certain support services or benefit from central support activities performed by another governmental entity or operating department. For example, a municipal operator may receive data processing and accounting services

from other city departments. Such services should be properly accounted for, and may be reimbursable from TDA monies.”

Task 14 (Article 4 Claimants Only)

CCR 6664.5 Determine that claimant has submitted Performance Audits as
PUC 99246c required.

Task 15 (All Transit Claimants with Charter Services)

PUC 99250 Determine if the claimant has met the minimums and rates specified in PUC Section 99250)

Task 16 (Article 4.5 Claimants)

PUC 99155 Determine that the claimant is in compliance with Section 99155 concerning reduced fares for seniors, handicapped and disabled veterans: identification cards; service area residency requirement prohibition.

Task 17 (All Claimants)

PUC 99245 Determine that claimant has complied with legislative or administrative code changes that have occurred subsequent to the publication of the IVAG Conformance Auditing Guide and to additional provisions of the Transportation Development Act that are specifically applicable to the claimant.

**EXHIBIT I
Documenting the Conformance Review**

Applicable Laws & Regulations	Agency Responses		Comments	Procedures Used to Verify Agency Response			Name of Person Interviewed
	Yes	NO		Inquiry	Test	Observation or Analysis	
Code Section							
Code Section							
Code Section							
Code Section							
Code Section							
Code Section							
Code Section							

EXHIBIT II

50 Percent Expenditure Limitation Test

1.	Total Operating Cost	\$	
2.	Total Depreciation*	\$	
3.	Total Capital Outlay	\$	
4.	Total Lines 1,2,3		\$
5.	Less Federal Grants Received	\$	
6.	Less LTF Capital Intensive	\$	
7.	Less STA Received	\$	
8.	Total Lines 5,6,7		\$
9.	Total Line 4 Less Line 8		\$
10.	50 Percent of Line 9	\$	
11.	Add amount of LTF Claimed in excess of Line 9 for Match to Federal Operating Grant	\$	
12.	Add LTF Capital Intensive	\$	
13.	Total permissible LTF expenditure (sum lines 10, 11, 12)		

* An allowance for depreciation is to be made in the same manner as provided in Fiscal Year 78/79 (PUC Section 99268.1)

EXHIBIT III

“ In connection with our examination we also performed, to the extent applicable, the seventeen tasks contained in *Guidelines on Auditing for Conformance* provided by IVAG.”

In our opinion, the funds allocated to _____ were expended in conformance with the applicable laws, rules, and regulations of the Transportation Development Act and the allocation instructions of IVAG.”

APPENDIX A

General Instructions for Filing TDA Claims

In IVAG's jurisdiction, Transportation Development Act (TDA) claims are currently made for Local Transportation Fund (LTF) revenue under Articles 3 and 8, and for State Transit Assistance (STA) funding under Article 6.5. Claim forms and supporting documents for each of these TDA Articles, and Article 4 forms, are provided on the following pages.

All claimants for TDA funds, whether LTF or STA, are required to provide the following information, as described below, as a part of the application process when it pertains to their funding program. Additional information may be obtained from IVAG's *Guidebook to the Transportation Development Act*, and *TDA Statutes and California Codes of Regulations*, Caltrans, 2005.

1. Claim Form—Pages 1-3

A completed claim form is required for each request of LTF or STA funding. Claim forms have been developed for each TDA Article, including the specific supporting documentation applicable to each of the funding programs.

TDA funds cannot be disbursed unless claims are consistent with the *Regional Transportation Improvement Plan* (RTIP) and IVAG's adopted *Transit Financing Plan*.

2. Financial Statements and Governing Body Resolution—Schedules A-C

- (a) Operating Revenue Summary
- (b) Operating Expense Summary
- (c) Statement of Operating Requirements
- (d) Governing Body Resolution

Each of these financial statements must be consistent with the State Controller's *Uniform System of Accounts and Records*. The statements must also include the estimated maximum amount of the claimant's LTF and STA allocations.

3. Description of Major Capital Projects—Schedule D and E

Major capital projects must be identified by federal grant number, estimated project cost, source of funds, and RTIP reference number (including A-95 number, if known). The description must include proof of the obligation of

funds. If the project will be implemented in phases, include the estimated implementation date and cost for each phase.

Capital projects include, but are not limited to, park-and-ride facilities, operations/maintenance facilities, terminal facilities, exclusive lanes for buses, and the acquisition of vehicles and rolling stock.

4. Description of Project and Nature of the Service

- (a) Type of service (fixed route, demand responsive, etc.)
- (b) Performance Data
- (c) TDA Performance Measures

A route map must be included showing principal streets and highways, city and county boundaries, and prominent landmarks.

5. Justification Statements

If there is an increase in the operating budget of more than 15 percent over that of the proceeding year, a justification statement must accompany the claim.

A major increase or decrease in the capital budget requires a justification statement. Also, any major capital project that is to be financed without using federal funds requires a justification statement.

6. Productivity Improvement Statement

This is a description of the transit operator's progress toward implementation of IVAG's annual recommendations for reducing operating costs.

7. Cooperative Agreement or Copy of Current Contract

A copy of the current contract must be on file with IVAG. If not previously submitted, a copy of the contract must accompany the claim.

8. Statement of Assurances

Claimants are required to check off on a list of items required by TDA in order to certify their compliance.

9. Proposed Commitment Statement (long term capital projects)

A description of the project as included in IVAG's` *Short Range Transit Plan* will meet this requirement for long term capital projects.

10. State Controller's Annual Report of Financial Transactions of Transit Operators (90 Day State Controller Report)

The annual report to the State Controller is required, and must include basic financial documents such as income and balance sheets, and operations data. This information must be prepared on forms provided by the State Controller.

11. Annual Certified Fiscal Audit (180 Day Report)

An annual certified fiscal and conformance audit conducted by an independent Certified Public Accountant must be submitted to IVAG and the State Controller within 180 days after the end of the fiscal year.

12. TDA Performance Audit

A TDA Performance Audit is a systematic process of evaluating an organization's effectiveness, efficiency and economy. The objectives of the audit are to provide a means for evaluating an organization's operating performance, and also to enhance that performance by making recommendations for improvements.

A Performance Audit is required every 3 years for regional transportation planning agencies, and all claimants for Article 4 funding. For claimants receiving TDA funding under Articles 8 and 6.5, Performance Audits are optional, but recommended.

CALENDAR OF LOCAL TRANSPORTATION FUNDING PROCESS

TIME PERIOD	ACTIVITY
January to March	
	County Auditor provides an annual revenue estimate of LTF funding to IVAG.
	IVAG conducts Unmet Transit Needs Public Hearing, adopts findings.
	Claimants prepare and submit their TTIP sheets and SRTP budget data to IVAG.
	IVAG reviews and analyzes SRTP and TTIP submittals, develops annual <i>IVAG TRANSIT FINANCE PLAN</i> and RTIP submittal.
April to June	
	IVAG adopts Unmet Transit Needs recommendations
	IVAG approves TTIP and SRTP submittals.
	IVAG calculates and publishes apportionments in the annual <i>Transit Financing Plan</i> .
July to September	
	Claimants submit transit claims.
	IVAG reviews claims for TIP consistency.
	IVAG issues allocation instructions to County Auditor.
	County Auditor allocates funds.
	Transit claimants submit 90-day report to State Controller and IVAG.
	IVAG publishes schedules of performance audits.
October to December	
	Claimants submit non-transit claims to IVAG.
	IVAG reviews claims for TIP consistency.
	IVAG submits TDA Annual Report and Financial Transactions for RTPA's to the State Controller
	IVAG reviews and evaluates fiscal audits of claimants.

CLAIM APPLICATION INSTRUCTIONS

1. Claim Form

A claim form (Pages 1-3) must be completed for each request of Transportation Development Act funding. Specific claim forms have been developed for TDA Articles 3, 4, 4.5, 6.5, and 8a, 8c, 8e. The forms vary according to the funding program being requested, and each form has a checklist identifying all of the items required by that funding program.

Information on the claim form should be provided as follows:

Claimant—Enter the name of the jurisdiction or transit operator.

Contact person—Name and phone number of person to be contacted.

Fiscal year—Give the year for which the claim is filed.

Payment recipient—Address to whom the payments should be transmitted.

Purpose—Type of claim being filed.

Detail of requested payment—Amount requested after completing Schedules A through E, and page 3 of the Claim Form.

Authorizing signature—Original signature in blue ink of the claimant's chief financial officer or chief administrative officer.

2. Schedule A—Operating Revenue Summary

This schedule displays revenue made available for operations excepting all funds derived from the Local Transportation Fund and the State Transit Assistance Fund.

3. Schedule B—Operating Expense Summary

This schedule displays operating expenses. Multimodal operators should use a separate Schedule B for each mode, and they may include an additional Schedule B to summarize expenses for the total system. Indicate the mode by checking the appropriate box.

4. Schedule C—Statement of Operating Requirements

Line 4- TDA Operating Carryover from Prior Years

Amounts entered on this line represent unexpended funds held by the claimant from prior fiscal year claims that are carried forward for expenses in a later year.

Line 5- State Transit Assistance Current Payments—Operating

Amounts entered on this line represent STA payments received or requested by the claimant for claims filed in a particular fiscal year.

Line 6- Local Transportation Fund Current Payments—Operating

Amounts entered on this line represent LTF payments received or requested by the claimant for claims filed in a particular fiscal year.

Line 8- TDA Operating Excess

Enter the amount of Line 7 less the amount on Line 3. If there is a resultant balance on Line 8, it must be detailed on Schedule C. Please use additional notes, as appropriate. Note that the amount on Line 8 for the subsequent fiscal year column must be zero, since the budget for the claim must be balanced as to revenues and expenses.

5. Schedule D- Capital Assistance and Outlay Summary

This schedule displays sources of funds made available for capital purchases excepting all funds derived from the LTF and STA. It also summarizes capital expenditures.

6. Schedule E- Statement of Capital Requirements

This schedule provides for the application of excess TDA revenues made available for capital outlay.

Line 5-TDA Capital Excess Carryover from Prior Years (s)

This displays TDA allocations received in prior years for capital outlay and not applied in the year received. These funds are therefore available in later years.

Line 6- STA Current Payments from Uncommitted Funds—Capital

This represents STA funds received or requested for the fiscal year described, obtained from “Uncommitted Funds” available in the STA.

Line 7- LTF Current Payments from Unallocated Funds—Capital

This displays LTF received or requested for the fiscal year described from “Unallocated Funds” available in the LTF. This differs from the “Reserve” held in the LTF for a specific claimant and project.

Line 8- STA Current Payments from Committed Funds—Capital

This represents STA allocations received in a particular year from the “Committed Fund” held in the STA fund for a specific project.

Line 9- LTF Current Payments from Reserves-Capital

This represents LTF allocations received in a particular fiscal year from “Reserves” held in the LTF for a specific project, “drawdown”.

For example, in FY 00/01, Operator A claimed \$10,000 to be reserved in the LTF for purchase of a bus in a future year. In FY 03/04, Operator A expects delivery of the bus. In this case, Operator A would indicate the capital outlay on Line 22 of Schedule D and a drawdown of the reserve funds on Line 9 of Schedule E.

Line 11- TDA Capital Excess

This represents a balance of all TDA allocations received for capital outlay and not applied. This balance is therefore available for a subsequent fiscal year. Entries on Line 11 in “Prior Year” column must be entered on Line 5 in “Current Year” column and so on.

APPENDIX B

GLOSSARY

Allocation

This is the process by which a jurisdiction elects to split its TDA apportionment between transit, bicycle, pedestrian, and street and road projects. Also refers to the division of total annual TDA funding among eligible claimants in the IVAG region.

Apportionment

The share of Imperial County's TDA funds earmarked for each jurisdiction, generally according to population. For each fiscal year, it is the maximum amount for which claimants in any one area may apply.

Assignment

Monies which a city, county, or transit district authorizes to be claimed by an agency other than itself. Assignments are normally made to support the operation of a joint powers transit authority and to undertake cooperative projects. This action may also be referred to as a "transfer".

CEQA

California Environmental Quality Act enacted in 1970 which requires environmental reporting on all "projects" which significantly affect the environment.

Claimant

A city, county, consolidated transportation service agency, or operator that is eligible to file a TDA claim. Other terms, such as applicant, mean the same.

Common Carrier

An operator of passenger buses whose operations are conducted pursuant to the jurisdiction and control of the State Public Utilities Commission. Common carrier does not apply to operators with 98% or more of their total route mileage exclusively within the limits of a single city.

Consolidated Transportation Service Agency

This type of agency is eligible for Article 4.5 funds under specific funding criteria as amended into the TDA by AB 120, and including an agency formed to consolidate social service transit operations in order to increase service and cost-effectiveness, to improve driver training, vehicle dispatching and maintenance, and to provide better administration of social service transit operations.

County Allocation Plan

The documentation identifying, accumulating, and distributing allowable costs under grants and contracts together with the allocation methods used.

Demand Responsive

Transit service provided without a fixed-route and without a fixed schedule that operates in response to calls from passengers or their agents to the transit operator or dispatcher. Service is usually provided using cars, vans, or buses with fewer than 25 seats.

Depreciation

An expense that records the diminishing value of certain assets, does not represent an actual cash outlay.

Elderly

Refers to persons 65 years of age or older.

Enterprise Fund

A method of accounting which treats an activity like a commercial entity, and which encompasses a complete set of self-balancing accounts. This enables the preparation of financial statements which depict the financial position and results of operations by fiscal period.

Fare Revenue

This revenue includes all revenues in the following uniform system of accounts revenue classes:

401.000	Passenger Fares for Transit Service
402.000	Special Transit Fares
403.000	School Bus Service Revenues

Fare revenue also includes cash donations made by individuals in lieu of prescribed fares. Also, in the case of claimants allocated funds to pay contract transit costs to another entity, fare revenues include the amount of fares received by the entity providing the service and not transferred to the claimant.

Farebox Recovery Ratio

Transit systems funded by TDA claimants are required to maintain certain expense to revenue ratios. The formula for calculating the ratio is total fare revenue divided by the total cost of transit operations.

Fiscal Year

The state fiscal year begins July 1 and ends on June 30.

General Public Transportation

Transportation services which are provided using vehicles for use by the general population in the service area.

Handicapped Person

Any individual who by reason of illness, injury, age, congenital malfunction, or other permanent or temporary incapacity or disability, including, but not limited to, any individual confined to a wheelchair, is unable, without special facilities or special planning or design, to use public transportation facilities and services as effectively as a person who is not so affected. As used in law, a temporary incapacity or disability is a condition which lasts more than 90 days. (PUC Section 99206.5)

Included Municipal Operator

Refers to a city or county which is included, in whole or in part, within a transit district or which has been extended the authority to join a transit district by that district's enabling legislation, and in which city or county public transportation services have continuously been provided, since at least January 1971. (PUC Section 99207)

Joint Powers Agreement

A legally binding agreement between two or more units of government which establishes a multi-jurisdictional special district with specified powers and responsibilities, such as to provide public transportation.

Local Transportation Fund (LTF)

This is the fund established in each county pursuant to the Transportation Development Act (TDA). Into this fund is deposited $\frac{1}{4}$ of 1 cent of state sales tax generated in each county and returned to the county of origin to be used for transportation purposes.

Municipal Operator

A city or county, including any nonprofit corporation or other legal entity wholly owned or controlled by the city or county, which operates a public transportation system, or which on July 1, 1972, financially supported, in whole or in part, a privately owned public transportation system, and which is not included, in whole or in part, within an existing transit district.

It also refers to a county which is located in part within a transit district and which operates a public transportation system in the unincorporated area of the county not within the area of the district. (PUC Section 99209 and 99209.1)

NEPA

The National Environmental Policy Act, enacted in 1969, which requires environmental reporting on all "projects" which significantly affect the environment.

Nonprofit Corporation

Any corporation organized for any lawful purposes which does not contemplate the distribution of gains, profits, or dividends to the members thereof, such as religious, social, and public transportation corporations.

Nonurbanized Area

An area having a population of less than 50,000 as defined by population figures from the latest Federal Census. An operator serves a “nonurbanized area” if 50 percent or more of the population of its service area is located within the boundaries of a nonurbanized area.

Operating Cost

All costs in the operating expense object classes exclusive of the costs in the depreciation and amortization expense object class of the uniform system of accounts and records adopted by the State Controller pursuant to PUC Section 99243 and exclusive of all subsidies for commuter rail services operated under the jurisdiction of the Interstate Commerce Commission and of all direct costs for providing charter services, and exclusive of all vehicle lease costs. (PUC Section 99247)

Operator

Includes any transit district, included transit district, municipal operator, included municipal operator, or transit development board.

For the purposes of filing an Article 4 Public Transportation Claim a transit district, included municipal operator, or municipal operator must own or lease the equipment, establish routes and service frequencies, regulate and collect fares, and otherwise control the efficiency and quality of the operation of the system.

Passenger Miles

The total number of miles traveled by transit passengers, so that a bus that carries 5 passengers for a distance of 3 miles incurs 15 passenger miles.

Performance Audit

Independent triennial performance audits are required to be conducted of transportation planning agencies, and operators receiving Article 4 funding. The purpose of these audits is to evaluate the efficiency, effectiveness, and economy of the operation of the entity being audited. The audits are completed in accordance with the Comptroller General’s *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*. (PUC Section 99246)

Private Corporation or Entity

A corporation, company, association, or joint stock association engaged in transacting business for compensation within the state.

Productivity Improvement Program

A program that allows IVAG to monitor a transit operator's or transit claimant's progress toward meeting recommended improvements that can lower transit operating costs. Recommendations are developed by a Productivity Committee whose membership consists of representatives from management of the operators, employee organizations, and users of transportation services.

Regional Transportation Plan (RTP)

The plan adopted annually by the Southern California Association of Governments (SCAG) to establish transportation policies, and by the state to guide development of transportation services and facilities in California. The RTP relates transportation to land use, population, environmental and social policy issues, and is required by state and federal law.

Regional Transportation Planning Agency (RTPA)

An RTPA is responsible for the preparation of all federal and state transportation plans and programs that secure transportation funding for highways, local streets and roads, transit, aviation, rail and bikeway/pedestrian facilities. The Imperial Valley Association of Governments (IVAG) is the RTPA for Imperial County.

Reserve

An allocation of TDA monies to be held in the fund by the County Auditor for a period not to exceed three years.

Social Services Technical Advisory Council (SSTAC)

A committee appointed by IVAG made up of representatives from social service providers, the elderly and the disabled. The SSTAC participates in the annual unmet transit needs process. This includes a finding by resolution that in its area (a) there are no unmet transit needs, (b) there are no unmet transit needs that are reasonable to meet, (c) there are unmet transit needs, including needs that are reasonable to meet. (PUC Section 99238)

Specialized Transportation Services

Transit that primarily serves older adults, people with disabilities, and others whose mobility needs are not addressed by traditional fixed-route service. Typical services include demand-response, feeder, community bus, and route and point deviation services.

State Transit Assistance Fund (STA)

One of the two transportation funding programs contained in the Transportation Development Act (TDA). This fund was created by the passage of SB 620 in 1979 to supplement existing funding sources for public transit services. STA funds are generated from the statewide sales tax on diesel fuel, state sales tax revenue from the excise tax, and Proposition 42. Each year during the budget process, the State Legislature designates the amount of money available for STA.

Transit District

A public district organized pursuant to state law and designated in the enabling legislation as a transit district or rapid transit district to provide public transportation service. (PUC Section 99213)

Transit Service Claimant

In Imperial County, a jurisdiction filing a claim for contract transit payments pursuant to Article 8 (c). A claimant filing under Article 4 is considered an operator.

Transportation Development Act (TDA)

State law, SB 325, enacted in 1971, with subsequent amendments that created a Local Transportation Fund in each county in which $\frac{1}{4}$ of 1 cent of local sales taxes are deposited annually, to be used for transportation purposes. Also includes the State Transit Assistance Fund (STA) enacted in 1979 as SB 620.

Transportation Improvement Program (TIP)

A federal and state mandated document that lists a five-year program of transportation projects for federal, state, and local funding.

Transportation Planning Agency (TPA)

An agency that has responsibility for administering the transportation funds available for the area under its jurisdiction. IVAG was established as a planning agency under PUC Section 99214 (c).

Uniform System of Accounts

The chart of accounts and financial reporting format specified in the State Comptroller General's *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*. (PUC Section 99246) This financial accounting system is required of all TDA funding recipients.

Unmet Transit Needs Process

TDA requires that before any Article 8 funds can be allocated for street and road purposes, IVAG must afford opportunities for citizen participation, called the "Unmet Needs" process. The SSTAC is to be involved in this process in order to hear the transit needs of transit dependent or disadvantaged persons. A least one public hearing must be held annually, and the findings must be forwarded to IVAG and Caltrans concerning whether there are any unmet transit needs that are judged reasonable to meet in the jurisdiction. (PUC Sections 99238, 99401)

Urbanized Area

An urbanized area has a population of 50,000 persons or more, according to the most recent federal census. An operator serves in an urbanized area if 50 percent or more of the population of its service area is located within the boundaries of an urbanized area, with exceptions as specified in PUC Section 6645.