



# **Mendocino Council of Governments**

Triennial Performance Audit of the  
MCOG as the RTPA for  
FY 2021/22 through FY 2023/24

**Final Report | May 2025**







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## Chapter 1 | Executive Summary

The Triennial Performance Audit of the Mendocino Council of Governments (MCOG) covers a three-year period ending June 30, 2024. The California Public Utilities Code requires all Regional Transportation Planning Agencies conduct an independent Triennial Performance Audit in order to be eligible for Transportation Development Act (TDA) funding.

In 2024, the Mendocino Council of Governments selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the single transit operator to which it allocates TDA funding. Moore & Associates is a consulting firm specializing in public transportation. Selection of the consultant followed a competitive procurement process.

This chapter summarizes key findings and recommendations developed during the Triennial Performance Audit (TPA) of the MCOG's programs for the period:

- Fiscal Year 2021/22,
- Fiscal Year 2022/23, and
- Fiscal Year 2023/24.

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

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

The Triennial Performance Audit includes five elements:

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

### Test of Compliance

The Mendocino Council of Governments adheres to Transportation Development Act (TDA) regulations in an efficient and effective manner. No compliance issues were identified.



### Status of Prior Recommendations

The prior Triennial Performance Audit – completed in 2022 by Moore & Associates, Inc. for the three fiscal years ending June 30, 2021 – included the following recommendation:

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

**Status:** Implemented.

### Goal Setting and Strategic Planning

The Mendocino Council of Governments (MCOG) is the regional transportation planning agency for Mendocino County. The MCOG was formed and designated as the Regional Transportation Planning Agency (RTPA) for Mendocino County in 1972.

The Regional Transportation Plan (RTP) is MCOG’s primary planning effort. The RTP is a long-range (20-year) transportation plan providing a vision for regional transportation investments. The most recent update, which was adopted on February 7, 2022, considers the role of transportation including economic factors, quality of life issues, and environmental factors. Preparation of the RTP, which also featured an Active Transportation Plan, included coordination by MCOG with entities throughout Mendocino County. Preparation of the 2026 Update of the RTP and Active Transportation Plan began in 2024 and is currently underway.

Other planning activities conducted during the audit period included Local Road Safety Plans (2022), Mendocino County Rural Inland Mobility Solutions (2023), Local Road Safety Action Plans (2024), the Ukiah Transit Center Study (2024), and the MTA Short Range Transit Development Plan (2024).

### Findings and Recommendations

Based on the current review, we submit no findings or recommendations.





## Chapter 2 | Audit Scope and Methodology

The Triennial Performance Audit (TPA) of Mendocino Council of Governments covers the three-year period ending June 30, 2024. The California Public Utilities Code requires all Regional Transportation Planning Agencies conduct an independent Triennial Performance Audit in order to be eligible for Transportation Development Act (TDA) funding.

In 2024, the MCOG selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the single transit operator to which it allocates funding. Moore & Associates is a consulting firm specializing in public transportation. Selection of Moore & Associates followed a competitive procurement process.

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

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

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

### Objectives

A Triennial Performance Audit has four primary objectives:

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



## Scope

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

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

## Methodology

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

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

The methodology for this audit included a virtual site visit with MCOG representatives on February 26, 2025. The audit team met with Nephele Barrett (Executive Director), Janet Orth (Deputy Director and Chief Financial Officer), Lisa Davey-Bates (Planning Services Director), Loretta Ellard (Deputy Planner), Alexis Pedrotti (Project Manager for MCOG Planning), Jaclyn Christian (Associate Planner), and James Sookne (Program Manager), and reviewed materials germane to the triennial audit.



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

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



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## Chapter 3 | Overview of MCOG

The Mendocino Council of Governments (MCOG) is the regional transportation planning agency for Mendocino County. MCOG was formed and designated as the Regional Transportation Planning Agency (RTPA) for Mendocino County in 1972.

MCOG’s mission is “to provide regional, community, and inter-community transportation planning, to administer transportation funding and financing, to represent Mendocino County’s interests at higher levels of government, to develop transportation projects for future funding, to provide technical assistance for transportation project delivery, to support rural/public transportation services, to administer grants for transportation/community enhancement projects, and to provide a forum to facilitate discussion on other matters of regional importance.”

MCOG participates in a number of inter-regional groups to support coordination between Mendocino County and its neighbors. These include:

- Regional Transportation Planning Agencies Group,
- Rural Counties Task Force,
- California Transportation Commission,
- California Association for Coordinated Transportation (CalACT),
- California Association of Councils of Governments (CALCOG), and
- North State Super Region.

### MCOG Board of Directors

The Mendocino Council of Governments (MCOG) Board of Directors meets the first Monday of each month at 1:30 p.m. in the Mendocino County Board of Supervisors Chambers (501 Low Gap Road, Ukiah). The Board is comprised of two Mendocino County supervisors, a countywide public appointee, and one council member from each of the four incorporated cities: Fort Bragg, Point Arena, Ukiah, and Willits. An *ex-officio* representative from Caltrans District 1 also serves on the Policy Advisory Committee. Members of the MCOG Board during the audit period included:

- Dan Gjerde, Mendocino County (2021 - 2024)
- John Haschak, Mendocino County (2021 - 2024)
- Josefina Duenas, City of Ukiah (2021, 2023 – 2024)
- Jim Brown, City of Ukiah (2022)
- Bernie Norvell, City of Fort Bragg (2021, 2023 - 2024)
- Tess Albin-Smith, City of Fort Bragg (2022)
- Greta Kanne, City of Willits (2021 - 2024)
- Jeff Hansen, City of Point Arena (2021, 2023 - 2024)
- Scott Ignacio, City of Point Arena (2022)
- Michael Carter, County Appointee (2021 - 2024)
- Tasha Ahlstrand, Caltrans District 1 (2021, 2023 - 2024)
- Brad Mettam, Caltrans District 1 (2022)



Board meetings are conducted in-person and a hybrid format. Attendance is generally very good. Board members may join by teleconference from City Hall locations in Fort Bragg, Point Arena, and Willits, as well as the Caltrans District 1 headquarters.

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

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

*Transit Productivity Committee (TPC).* The Transit Productivity Committee (TPC) comprises five voting members: two MCOG board members, two Mendocino Transit Authority board members, and one representative from the five senior centers in MCOG’s jurisdiction. Meetings are held annually to review and make recommendations on transit performance and standards, unmet transit needs, MTA’s claim for funds, and other related matters.

*Social Services Transportation Advisory Council (SSTAC).* The Social Services Transportation Advisory Council (SSTAC) is a committee that includes disabled and senior transit users as well as representatives of various social services providers, low-income individuals, and the Consolidated Transportation Service Agency (CTSA). While there are nine seat designations, some members may represent multiple seats, while other seats may be vacant. SSTAC meetings are typically held twice annually. It advises MCOG on the unmet transit needs process and other transportation recommendations.

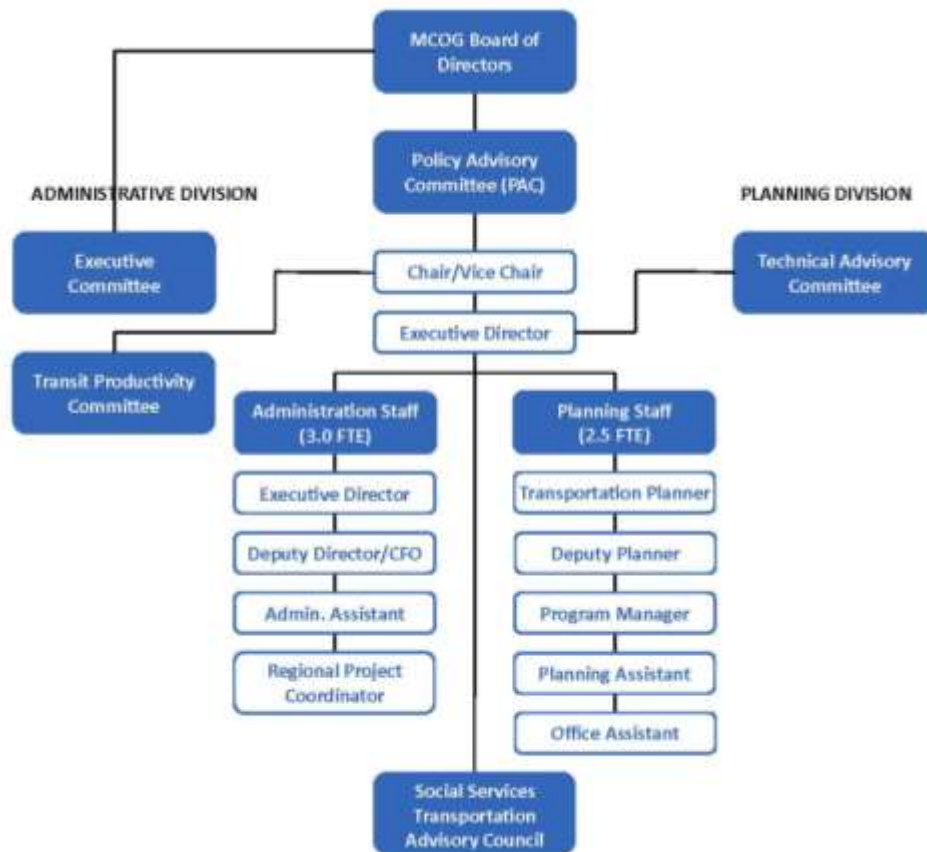
*Technical Advisory Committee (TAC).* The Technical Advisory Committee (TAC) is comprised of ten technical representatives, primarily from the County and cities. They include the County Director of Transportation, County Director of Planning and Building Services, Mendocino Transit Authority Executive Director, Caltrans Transportation Planning Branch Chief, one technical representative from each of the four cities, the County Air Pollution Control Officer, and a rail representative (non-voting) appointed by the North Coast Railroad Authority/Great Redwood Trail Agency. The TAC meets on the third Wednesday of the month at 10:00 a.m., with meetings open to the public.

## Organization

An organizational chart is presented as Exhibit 3.1.



Exhibit 3.1 MCOG Organizational Chart



### Goal setting and strategic planning

The Regional Transportation Plan (RTP) is MCOG’s primary planning tool. The RTP is a long-range (20-year) transportation plan providing a vision for regional transportation investments. The most recent update, which was adopted on February 7, 2022, considers the role of transportation including economic factors, quality of life issues, and environmental factors. Preparation of the RTP, which also featured an Active Transportation Plan, included coordination by MCOG with entities throughout Mendocino County, including Caltrans, City of Fort Bragg, City of Point Arena, City of Ukiah, City of Willits, Mendocino County Air Quality Management District, Mendocino County Department of Planning and Building Services, Mendocino County Department of Transportation, Mendocino Railway, Mendocino Transit Authority, Noyo Harbor District, Walk & Bike Mendocino, and local airports. Additional coordination occurred through participation in inter-regional groups such as the Regional Transportation Planning Agencies (RTPA) Group, Rural Counties Task Force (RCTF), California Transportation Commission (CTC), California Association for Coordinated Transportation (CalACT), California Association of Councils of Governments (CalCOG), and North State Super Region.

Public engagement for the RTP update was conducted differently than in prior years due to the COVID-19 pandemic. Rather than a series of in-person community workshops, MCOG conducted remote meetings via video and teleconference as well as utilized the Social Pinpoint online platform. The MCOG website



featured a pre-recorded presentation, while individualized presentations were provided in communities throughout the county, to the Mendocino County Climate Action Advisory Committee, and to the Caltrans District 1 Tribal meeting, among others. Opportunities for public participation were promoted via media releases, email blasts, social media, and on the MCOG website. Regular updates were also provided during MCOG Board and Technical Advisory Committee meetings. Public outreach took place between October 2020 and December 2021.

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

As a rural RTPA, MCOG is not required to complete modeling for a Sustainable Communities Strategy. The 2022 RTP utilized two local planning models to forecast traffic and Vehicle Miles Traveled (VMT). These included a countywide travel demand model (completed by Fehr and Peers in 2010) and the Greater Ukiah Area Microsimulation Model, or GUAMM (developed by a consultant in 2015). The travel demand model forecast VMT estimates for each subregion through 2030. The GUAMM was designed to work with the countywide model and is specific to Ukiah.

The 2022 RTP includes goals, objectives, and policies in 15 planning categories: Climate change and environment; land use, accessibility, and the economy; Complete Streets; goods movement; transportation security and emergency response; state highway system; local streets and roads; active transportation; transit; rail transportation; aviation; maritime; tribal transportation; public health and equity; and financial policies. Each category contains at least one goal, and each goal features one or more objectives and supporting policies. All goals and objectives are well-crafted, with clear objectives specific to each goal and supporting policies that provide actionable steps to be taken toward the fulfillment of each objective.<sup>1</sup> The RTP also sets forth performance measures and standards for several categories, including transit.

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

- Short-range projects:
  - Short-range transit plan development
  - Transit hub location plan
  - Rural mobility solutions
  - Bus stop improvements
  - Solar powered maintenance facility – revamp solar canopy
  - Vehicle acquisitions
    - 1 staff vehicle (hybrid)

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<sup>1</sup> The full list of RTP goals and objectives is provided in the 2022 Regional Transportation Plan, available online at [www.mendocinocog.org/2022-regional-transportation-plan-adopted](http://www.mendocinocog.org/2022-regional-transportation-plan-adopted).





- 2 staff vehicles (electric)
- 2 staff vehicles (maintenance van)
- 10 electric Dial-A-Ride buses
- 13 electric cutaway buses
- 9 electric heavy-duty buses
- Long-range projects:
  - Design and construction of new administration and operations building

Planning for the 2026 Regional Transportation Plan was initiated in 2024 and is currently underway. Public engagement activities thus far have included use of an interactive mapping tool to identify transportation needs or improvements and a county-wide transportation survey. MCOG staff found virtual engagement activities implemented during preparation of the prior RTP to be effective and plan to include both in-person and virtual opportunities as part of the 2026 update.

In addition to the RTP, MCOG also provides funding to MTA for the development of the Short-Range Transit Development Plan for the Mendocino Transit Authority. The most recent SRTDP was completed in June 2024, covering FY 2024/25 through FY 2028/29. The SRTDP looks at MTA in the post-COVID environment and recommends service, capital, fare, and marketing enhancements.

Other planning activities conducted during the audit period included the following:

- Local Road Safety Plans (2022)
- Mendocino County Rural Inland Mobility Solutions (2023)
- Local Road Safety Action Plans (2024)
- Ukiah Transit Center Study (2024)

In addition, planning efforts in progress or soon to be initiated include the Mendocino County Sea Level Rise Roadway Impact Study and Noyo Harbor Multimodal Circulation Study.



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## Chapter 4 | Program Compliance

This section examines the MCOG’s compliance with the State of California’s Transportation Development Act as well as relevant sections of California’s Public Utilities Commission code. An annual certified fiscal audit confirms TDA funds were apportioned in conformance with applicable laws, rules, and regulations. Although compliance verification is not a Triennial Performance Audit function, several specific requirements concern issues relevant to the performance audit. The Triennial Performance Audit findings and related comments are delineated in Exhibit 4.1.

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

No compliance items were identified for MCOG.

### Developments Occurring During the Audit Period

For many operators, the FY 2021/22 – FY 2023/24 audit period reflected both the acute impacts of and recovery from the COVID-19 pandemic. By the end of the audit period – even earlier in some cases – most operators had exhausted federal relief funds, even though penalties for non-compliance with farebox recovery ratios continued to be waived. Many operators, even more than four years after the onset of the pandemic, still struggle with ridership that has yet to recover to pre-pandemic levels.

Given this is not the first Triennial Performance Audit to be conducted since the COVID-19 pandemic, this report will not focus on actions taken as a result of the health crisis. Instead, the compliance review, functional review, and resulting recommendations will focus on ensuring program sustainability once penalty waivers and other emergency legislation have ended.

Assembly Bill 90, signed into law on June 29, 2020, provided temporary regulatory relief for transit operators required to conform with Transportation Development Act (TDA) farebox recovery ratio thresholds in FY 2019/20 and FY 2020/21. Assembly Bill 149, signed into law on July 16, 2021, provided additional regulatory relief by extending the provisions of AB 90 through FY 2022/23 and adjusting definitions of eligible revenues and operating costs. Most recently, Senate Bill 125, signed into law on July 10, 2023, extended protections provided via earlier legislation through FY 2025/26. While this means the audit period covered by this audit is fully exempt from penalties for non-compliance with the farebox recovery ratio, for example, it also means that transit operators will likely need to be in compliance by the last year of the next audit period.

While the ability to maintain state mandates and performance measures is important, these measures enable transit operators to adjust to the impacts of COVID while continuing to receive their full allocations of funding under the TDA.

Together, these three pieces of legislation include the following provisions specific to transit operator TDA funding under Article 4 and Article 8:



1. Prohibits the imposition of the TDA revenue penalty on an operator that did not maintain the required ratio of fare revenues to operating cost from FY 2019/20 through FY 2025/26.
2. Expands the definition of “local funds” to enable the use of federal funding to supplement fare revenues and allows operators to calculate free and reduced fares at their actual value.
3. Adjusts the definition of operating cost to exclude the cost of ADA paratransit services, demand-response and microtransit services designed to extend access to service, ticketing/payment systems, security, some pension costs, and some planning costs.
4. Allows operators to use STA funds as needed to keep transit service levels from being reduced or eliminated through FY 2025/26.

SB 125 calls for the establishment of the Transit Transformation Task Force to develop policy recommendations to grow transit ridership and improve the transit experience for all users. In the 50-plus years since introduction of the Transportation Development Act, there have been many changes to public transportation in California. Many operators have faced significant challenges in meeting the farebox recovery ratio requirement, calling into question whether it remains the best measure for TDA compliance. In 2018, the chairs of California’s state legislative transportation committees requested the California Transit Association spearhead a policy task force to examine the TDA, which resulted in a draft framework for TDA reform released in early 2020. The Transit Transformation Task Force is required to submit a report of its findings and policy recommendations to the State Legislature by October 31, 2025. This report is expected to include recommendations for TDA reform, which may impact the next Triennial Performance Audit period.



Exhibit 4.1 Transit Development Act Compliance Requirements

Compliance Element	Reference	Compliance	Comments
All transportation operators and city or county governments which have responsibility for serving a given area, in total, claim no more than those Local Transportation Fund monies apportioned to that area.	PUC 99231	In compliance	
The RTPA has adopted rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles (Article 3).	PUC 99233, 99234	In compliance	
The RTPA has established a social services transportation advisory council. The RTPA must ensure that there is a citizen participation process that includes at least an annual public hearing.	PUC 99238, 99238.5	In compliance	Unmet Transit Needs hearings: December 7, 2020 February 7, 2022 February 6, 2023 March 4, 2024
The RTPA has annually identified, analyzed, and recommended potential productivity improvements which could lower operating cost of those operators, which operate at least 50 percent of their vehicle service miles within the RTPA's jurisdiction. Recommendations include, but are not being limited to, those made in the performance audit. <ul style="list-style-type: none"><li>A committee for the purpose of providing advice on productivity improvements may be formed.</li></ul> The operator has made a reasonable effort to implement improvements recommended by the RTPA as determined by the RTPA, or else the operator has not received an allocation that exceeds its prior year allocation.	PUC 99244	In compliance	A Transit Productivity Committee meets at least once per year.  Historically, MCOG has used three metrics: Passengers/VSH, Farebox Recovery Ratio, and Operating Cost/VSH. If 2 of the 3 standards are not met, a 4 <sup>th</sup> standard (Cost/Passenger) is also assessed. The Passenger/VSH standard was revised in 2022.
The RTPA has ensured that all claimants to whom it allocated TDA funds submit to it and to the state controller an annual certified fiscal and compliance audit within 180 days after the end of the fiscal year.	PUC 99245	In compliance	FY 2021/22: March 26, 2023 FY 2022/23: March 21, 2024 FY 2023/24: March 18, 2025
The RTPA has submitted to the state controller an annual certified fiscal audit within 12 months of the end of the fiscal year.	CCR 6662	In compliance	FY 2021/22: March 14, 2023 FY 2022/23: January 31, 2024 FY 2023/24: April 15, 2025
The RTPA has submitted within seven months after the end of the fiscal year an annual financial transactions report to the state controller.	CCR 6660	In compliance	FY 2021/22: December 10, 2022 FY 2022/23: January 31, 2024 FY 2023/24: January 30, 2025



Compliance Element	Reference	Compliance	Comments
The RTPA has designated an independent entity to conduct a performance audit of operators and itself (for the current and previous triennia). For operators, the audit was made and calculated the required performance indicators, and the audit report was transmitted to the entity that allocates the operator's TDA money, and to the RTPA within 12 months after the end of the triennium. If an operators audit was not transmitted by the start of the second fiscal year following the last fiscal year of the triennium, TDA funds were not allocated to that operator for that or subsequent fiscal years until the audit was transmitted.	PUC 99246, 99248	In compliance	Moore & Associates, Inc. was selected to prepared the prior Triennial Performance Audits. They were completed in October 2022. In July 2022, MCOG secured an extension through December 2022 from Caltrans.  Moore & Associates was selected to prepare the current audits, which will be completed by June 30, 2025.
The RTPA has submitted a copy of its performance audit to the Director of the California Department of Transportation. In addition, the RTPA has certified in writing to the Director that the performance audits of operators located in the area under its jurisdiction have been completed.	PUC 99246(c)	In compliance	Submitted to Caltrans via a letter dated November 9, 2022.
The performance audit of the operator providing public transportation services shall include a verification of the operator's cost per passenger, operating cost per vehicle service hour, passenger per vehicle service mile, and vehicle service hours per employee, as defined in Section 99247. The performance audit shall include consideration of the needs and types of passengers being served and the employment of part-time drivers and the contracting with common carriers of persons operating under a franchise or license to provide services during peak hours, as defined in subdivision (a) of section 99260.2.	PUC 99246(d)	In compliance	
For Article 8(c) claimants, the RTPA may adopt performance criteria, local match requirements, or fare recovery ratios. In such cases, the rules and regulations of the RTPA will apply.	PUC 99405	In compliance	MCOG has established alternative performance criteria for Senior Center operations, which utilize Article 8(c) funding.
The RTPA has established rules and regulations regarding revenue ratios for transportation operators providing services in urbanized and newly urbanized areas.	PUC 99270.1, 99270.2	Not applicable	
The RTPA has adopted criteria, rules, and regulations for the evaluation of claims filed under Article 4.5 of the TDA and the determination of the cost effectiveness of the proposed community transit services.	PUC 99275.5	Not applicable	There are no Article 4.5 claimants in Mendocino County.
State transit assistance funds received by the RTPA are allocated only for transportation planning and mass transportation purposes.	PUC 99310.5, 99313.3, Proposition 116	In compliance	



Compliance Element	Reference	Compliance	Comments
Transit operators must meet one of two efficiency standards in order to use their full allocation of state transit assistance funds for operating purposes. If an operator does not meet either efficiency standard, the portion of the allocation that the operator may use for operations shall be the total allocation to the operator reduced by the lowest percentage by which the operator's total operating cost per revenue vehicle hour exceeded the target amount necessary to meet the applicable efficiency standard. The remaining portion of the operator's allocation shall be used only for capital purposes.	PUC 99314.6	In compliance	Requirement waived under AB 90, AB 149, and SB 125.  Part of the Transit Productivity Committee review.
The amount received pursuant to the Public Utilities Code, Section 99314.3, by each RTPA for state transit assistance is allocated to the operators in the area of its jurisdiction as allocated by the State Controller's Office.	PUC 99314.3	In compliance	
<p>If TDA funds are allocated to purposes not directly related to public or specialized transportation services, or facilities for exclusive use of pedestrians and bicycles, the transit planning agency has annually:</p> <ul style="list-style-type: none"><li>• Consulted with the Social Services Transportation Advisory Council (SSTAC) established pursuant to PUC Section 99238;</li><li>• Identified transit needs, including:<ul style="list-style-type: none"><li>○ Groups that are transit-dependent or transit-disadvantaged,</li><li>○ Adequacy of existing transit services to meet the needs of groups identified,</li><li>○ Analysis of potential alternatives to provide transportation services;</li></ul></li><li>• Adopted or reaffirmed definitions of "unmet transit needs" and "reasonable to meet"; and</li><li>• Identified the unmet transit needs or there are no unmet transit needs that are reasonable to meet.</li></ul> <p>If a finding is adopted that there are unmet transit needs, these needs must have been funded before an allocation was made for streets and roads.</p>	PUC 99401.5	In compliance	Unmet Transit Needs hearings: December 7, 2020 February 7, 2022 February 6, 2023 March 4, 2024



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## Chapter 5 | Prior Recommendations

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

The prior audit – completed in October 2022 by Moore & Associates, Inc. for the three fiscal years ending June 30, 2021 – included one recommendation:

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

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

While the policy itself appeared to be in compliance with the TDA, review of MTA’s documents as part of the prior audit raised some questions, primarily regarding the operating reserve. It was unclear 1) how often MTA contributed to the reserves, 2) how often it used funding from the reserve, and 3) whether there was a cap on the amount in the fund. The main concern was not that MTA wished to maintain operating and capital reserves, but that the process for developing and monitoring those accounts did not appear to be transparent. Neither of these accounts was discussed within the annual fiscal audit. This recommendation was included in MCOG’s triennial performance audit as it is responsible for managing the annual fiscal audit contract. (Additional detail regarding this issue, especially as it pertains to funding policy and MTA internal reporting to the Board, was included in the prior MTA Triennial Performance Audit report.)

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

**Progress:** Fiscal audit reports for the years ended June 30, 2022 and June 30, 2023 continued to identify, in the Notes section, MCOG’s Vehicle Replacement Reserve, i.e. Capital Reserve Fund, along with the fund balance. This reserve fund is maintained for the benefit of Mendocino Transit



Authority. However, the audits do not specifically identify any reserves held by MTA and have not yet included any activity of these funds.

MCOG specified in its 2024 Request for Proposals for fiscal audits of MTA that this task be included as recommended, starting with audit of the year ended June 30, 2024. O'Connor & Company was engaged for the audit and agreed to add this task. MTA's FY 2023/24 TDA fiscal audit contained the following statement under Section L of Note 2 on page 11 of the document: "The Mendocino Council of Governments maintains vehicle and non-vehicle replacement reserve funds for the benefit of the Authority. The balance on June 30, 2024, was \$594,627." It then goes on to detail additions, deletions, and transfers for the MTA Operating Reserve account, the MCOG LTF Reserve account, and the MCOG Capital Reserve account.

**Status:** Implemented.



## Chapter 6 | Functional Review

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

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

### Administration and Management

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

MCOG processes TDA claims in a timely manner, though claims are subject to processing by Mendocino County's finance system. MCOG follows the allocation instructions it sends to the County Auditor, along with adopted budgets and any amendments. It also follows the terms of contracts and subrecipient agreements with its five member agencies. MCOG administration utilizes staff calendars, claims processing, quarterly cash account reconciliation, and other measures to monitor the progress and financial status of ongoing programs. Member agencies submit reports every quarter. Grant-funded projects produce status reports and hold meetings based on timelines outlined in the work element scope of the Overall Work Plan.

MCOG has established clear, comprehensive, and realistic goals for internal functions, regional coordination, and grant funding, all of which are detailed within the annual Overall Work Program as well as other supporting documents such as annual budgets and the Regional Transportation Plan (RTP). Goals for transportation alternatives are set forth in the RTP. Progress toward these goals is assessed through regular progress reporting and RTP updates. Internal goals are reviewed as part of regular staff meetings.

Transit operator performance is monitored through the annual review report prepared by staff for the Transit Productivity Committee (TPC). The MCOG's adopted cost standards are indexed to inflation and additional standards are updated as part of the Short Range Transit Plan and the Unmet Transit Needs cycle.

The RTPA's budget is adversely impacted by insufficient funding from the state. The primary funding source is Rural Planning Assistance (RPA), which has not increased in the past decade. While the RPA amount is set to increase for FY 2025/26, this is a one-time increase which sets a new annual amount. TDA funding (Local Transportation Fund) has also declined in recent years. While MCOG continues to perform all required functions, doing so has become more difficult as costs and duties increase while revenues remain the same or decrease.



Staffing levels are currently sufficient and provided through two contracts. Contract staff turnover is generally low. With two exceptions, most contract staff have been in their positions long-term. Continuing education and training programs are available to employees. Contracted employees receive full benefits including paid leave, retirement, and insurance.

MCOG anticipates there may be a need for additional staff in the future due to potential additional requirements should Mendocino County fall out of air quality attainment status in the next few years, though it is possible there may be additional funding available related to that status change. There has also been an increased workload related to the administration of state programs such as those under Senate Bill (SB) 1. In addition, the expansion of MCOG's regional role could result in a need for additional staff.

The MCOG Board of Directors is the governing body for the Mendocino Council of Governments. The Board meets nine to ten times a year on the first Monday of the month at 1:30 p.m. The Board holds in-person meetings in the Board of Supervisors chambers in Ukiah, though Board members may participate virtually via teleconference from the city halls in Point Arena, Fort Bragg, and Willits, as well as the Caltrans District 1 headquarters. Policy Advisory Committee members also join from the Caltrans District 1 office in Eureka. Additional discussion of the Board of Directors is provided in Chapter 3.

The Board reviews and acts upon key documents in a timely manner. These key documents include annual budgets, annual Overall Work Programs, and the Regional Transportation Plan/Active Transportation Plan, which are provided in draft form for review prior to being submitted for Board approval. Specific areas of interest to the Board during the audit period have included climate action and energy efficiency, which led to participation in the Rural Regional Energy Network (RuralREN) beginning in 2021 (MCOG's first MOU for participation was approved in 2022 and the program was approved by the California Public Utilities Commission in 2024).

#### Transportation Planning and Regional Coordination

The most recent Mendocino County Regional Transportation Plan (RTP)/Active Transportation Plan was adopted on February 7, 2022. The RTP sets forth a series of transportation-related goals for Mendocino County, each supported by objectives, implementation strategies, and performance measures. The first step of the plan includes a Needs Assessment for each mode identifying weaknesses, gaps, and needs specific to that transportation mode. The RTP includes all elements required under state guidelines, including a discussion of issues for each transportation mode, mode-specific goals, actions to address the issues, and a timeline for implementation. Expected funding sources are identified and estimated in the RTP.

During the 2022 update of the RTP, the process included virtual and online formats for public participation. MCOG has found this to increase the opportunity for public engagement and will continue this practice going forward. The RTP has had an identifiable and positive impact in guiding decision making for project selection and enabled several identified capital projects to be funded. It has also increased awareness of transportation issues throughout the county. Public engagement for the 2026 update began in 2024 and was in progress at the time of this audit. Additional discussion of the RTP is provided in Chapter 3.



Information regarding MCOG’s projects and plans is publicly available via its website. The RTP, as well as the Overall Work Program, is provided to local operators and government agencies to summarize proposed planning work. Additionally, MCOG provides information to operators via email and updates at TAC and Board meetings.

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

MCOG considers transportation service levels provided by the MTA and senior centers as part of its annual transit operator productivity review process. It does not closely monitor transportation services provided by private agencies, though these services are included in the Coordinated Public Transit – Human Services Plan for Mendocino County.

#### Claimant Relationships and Oversight

MCOG has a formal productivity committee to review transit services and offer recommendations to lower transit costs. The Transit Productivity Committee (TPC) meets annually in the spring to identify improvements, unmet transit needs, and to review MTA’s claim for funds and related matters. MCOG staff also regularly attend MTA Board meetings, while MTA attends and provides information at MCOG Board and TAC meetings. Additional discussions also occur during meetings specific to planning work elements such as the Ukiah Transit Center and Mobility Solutions projects.

MCOG provides technical and managerial assistance to the transit operator on an as-needed basis. In the past, MCOG has assisted MTA with consultant services and transit planning studies conducted as part of MCOG’s Overall Work Program. The two organizations work independently but coordinate their efforts as appropriate and necessary. Recently, the operator requested funding from the new SB 125 formula-based transit capital program. MCOG is working to implement this through its allocation plan.

MCOG procures an outside consultant to conduct fiscal and performance audits for the RTPA and the operator. The previous Triennial Performance Audits were delayed by six months due to the MCOG being short-staffed and having acquired additional duties. Caltrans approved the delay and the audits were completed in October 2022 and approved by the Board in November 2022.

When compliance issues arise, MCOG takes the necessary steps to amend the issues. This includes repayment of amounts found in the fiscal audit to be ineligible. In FY 2022/23, as part of the annual fiscal audit process, the MTA was found to have received more TDA (LTF) funding than it was eligible to receive. MCOG’s Executive Committee worked with the MTA to reallocate the ineligible LTF funds and negotiate recovery methods, which included a combination of lump sum transfer, repayment schedule, reduction of monthly allocation payment, and an accounting record of returned funds.

#### Marketing and Transportation Alternatives

Nearly all marketing for transit services in Mendocino County is provided by the MTA. MTA provides service information on its website, by telephone, and through brochures and bus displays. The operator distributes its own press releases.



MCOG’s website lists completed plans and studies along with an archive of board meeting minutes. The RTPA prepares an Active Transportation Plan in conjunction with the Regional Transportation Plan (RTP). This Plan serves as the Active Transportation Element of the RTP. While MCOG does not develop programs for alternative transportation, it does have funding programs awarded to bicycle and pedestrian projects. It has also worked with local organizations on grant applications for volunteer driver programs and community vans.

#### Grant Applications and Management

MCOG assists its operator by reviewing and assisting with grant applications and letters of support when requested. MCOG applies for planning grants for projects such as the Inland Rural Mobility Study, Downtown Community Action Plans, and Short-Range Transit Development Plan. No operator under MCOG’s jurisdiction has been denied a grant due to errors or omissions in the grant application.

In addition to TDA, MCOG administers and monitors expenditures for Caltrans transportation planning grants as well as funding for other projects in its OWP. MCOG also awards and monitors capital funding from the State Transportation Improvement Program (STIP) and Surface Transportation Block Grant Partnership Program for local applicants. MCOG also manages one-time or limited grant awards for programs such as the Highway Infrastructure Program, Carbon Reduction Program, Regional Early Action Planning Program, and SB 125 Transit Funding Program.



## Chapter 7 | Findings and Recommendations

### Conclusions

Moore & Associates finds the Mendocino Council of Governments to be in compliance with the requirements of the Transportation Development Act. In addition, the entity generally functions in an efficient, effective, and economical manner.

### Findings and Recommendations

Based on the current review, we submit no findings or recommendations.



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