



San Joaquin Council of Governments

Triennial Performance Audit of
the San Joaquin Council of
Governments (as the RTPA) for
the period FY 2021/22 - FY 2023/24



SAN JOAQUIN
COUNCIL OF GOVERNMENTS
CALIFORNIA

Final Report | June 2025



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Chapter 1 | Executive Summary

The Triennial Performance Audit of the San Joaquin Council of Governments (SJCOG) 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 San Joaquin Council of Governments selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the seven transit operators 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 SJCOG’s programs for the period:

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

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

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

The Triennial Performance Audit includes five elements:

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

Test of Compliance

With one exception, the San Joaquin Council of Governments adheres to Transportation Development Act (TDA) regulations in an efficient and effective manner:

1. Several operators did not complete their TDA fiscal audits within the extended timeframe allowed by the State Controller.

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 recommendations:

1. Upon completion of the triennial performance audit process, SJCOG must prepare a transmittal letter to Caltrans which certifies the completion of the operator audits and accompanies submittal of the RTPA audit.
Status: Implemented.
2. Use data obtained through the Bureau of Labor Statistics or another appropriate source to determine change in CPI for each test.
Status: Implementation in progress.
3. Work with Article 8(c) operators to develop appropriate alternative performance measures for the years following the COVID-19 pandemic.
Status: Not implemented.

Goal Setting and Strategic Planning

The San Joaquin Council of Governments (SJCOG) is the regional transportation planning agency for San Joaquin County. The SJCOG was created as a Joint Powers Authority in 1968 by the County of San Joaquin and the cities of Stockton, Lodi, Manteca, Tracy, Ripon, and Escalon. Lathrop was added as a signatory upon its incorporation in 1991. Its mission is “to partner with local governments, the private sector, and community groups as the forum, facilitator, and administrator of regional programs, and to advocate for regional and inter-regional issues in the development of a comprehensive strategy to achieve resolutions.”

The primary regional planning document is the Regional Transportation Plan and Sustainable Communities Strategy (RTP/SCS). The RTP is a long-range transportation plan providing a vision for regional transportation investments. The Sustainable Communities Strategy (SCS) element, required under SB 375, demonstrates the integration of land use, transportation strategies, and transportation investments that will help San Joaquin county meet regional greenhouse gas reduction targets. The current Plan, which was adopted on August 25, 2022, recognizes the significant impact the transportation network has on the region’s public health, mobility, and economic vitality.

Findings and Recommendations

Based on the current review, we submit the aforementioned TDA compliance finding.

1. Several operators did not complete their TDA fiscal audits within the extended timeframe allowed by the State Controller.

The audit team has identified three functional findings. While these findings are not compliance findings, the auditors believe they are significant enough to be addressed within this review:

1. The TDA claim form could benefit from several updates.



2. TDA funding should be maintained to RTD even if its FY 2023/24 fiscal audit has not yet been completed (as a one-time exception due to RTD’s extensive cyberattack).
3. The SJCOC has not developed performance standards against which to evaluate its Article 8(c) recipients that utilize alternative performance criteria.

In completing this Triennial Performance Audit, we submit the following recommendations for the San Joaquin Council of Governments as the RTPA. They have been divided into two categories: TDA Program Compliance Recommendations and Functional Recommendations. TDA Program Compliance Recommendations are intended to assist in bringing the agency into compliance with the requirements and standards of the TDA, while Functional Recommendations address issues identified during the Triennial Performance Audit that are not specific to TDA compliance.

Exhibit 1.1 Summary of Audit Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Work with transit operators to ensure they can complete their TDA fiscal audits within the established timeframe.	Medium	Ongoing
Functional Recommendations		Importance	Timeline
1	Update the TDA claim form to include the status of prior audit recommendations, add the retirement item to the Assurances, and reflect the appropriate change in CPI for the STA eligibility tests.	Medium	FY 2025/26
2	Work with SJCOC to ensure RTD receives its TDA allocation for FY 2025/26 even if completion of the audit is delayed.	High	FY 2024/25
3	Develop performance standards for Article 8(c) recipients in advance of the reinstatement of penalties for non-compliance in FY 2026/27.	Medium	FY 2025/26



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Chapter 2 | Audit Scope and Methodology

The Triennial Performance Audit (TPA) of San Joaquin 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 SJCOG selected Moore & Associates, Inc., to prepare Triennial Performance Audits of itself as the RTPA and the seven transit operators 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 San Joaquin Council of Governments as the designated RTPA for San Joaquin 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 SJCOG 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 SJCOG’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 SJCOG as the RTPA included thorough review of documents relevant to the scope of the review, as well as information contained on SJCOG’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 site visit with SJCOG representatives at the SJCOG office (555 East Weber Avenue, Stockton) on September 25, 2024. The audit team met with Grace Orosco (Finance Manager), Lynnetta Castle (Chief Accountant), Ryan Niblock (Deputy Director, Programming and Project Delivery), and Yvette Davis (Communication 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 SJCOG

The San Joaquin Council of Governments (SJCOG) is the regional transportation planning agency for San Joaquin County. The SJCOG was created as a Joint Powers Authority in 1968 by the County of San Joaquin and the cities of Stockton, Lodi, Manteca, Tracy, Ripon, and Escalon. Lathrop was added as a signatory upon its incorporation in 1991.

SJCOG’s mission is “to partner with local governments, the private sector, and community groups as the forum, facilitator, and administrator of regional programs, and to advocate for regional and inter-regional issues in the development of a comprehensive strategy to achieve resolutions.” The SJCOG’s role is to foster intergovernmental coordination, both within San Joaquin County and with neighboring jurisdictions, other regional agencies for the San Joaquin Valley, the State of California, and various Federal agencies.

Roles

The SJCOG fulfills a number of different roles for its member jurisdictions. They include:

- Regional Transportation Planning Agency (RTPA),
- Metropolitan Planning Organization (MPO),
- Airport Land Use Commission (ALUC),
- Census Data Center (CDC),
- Congestion Management Agency (CMA),
- Local Transportation Authority (LTA),
- San Joaquin-Merced Transportation Demand Management (dibs program),
- Regional Housing Needs Allocation (RHNA),
- Transportation Air Quality Attainment – Lead Agency, and
- San Joaquin County Multi-Species Habitat Conservation Plan.

SJCOG Board of Directors

SJCOG is governed by a 15-member Board of Directors comprised of one representative each from the cities of Escalon, Lathrop, Lodi, Manteca, Ripon, and Tracy; three representatives from the City of Stockton; and three representatives from the San Joaquin County Board of Supervisors. The Board also includes advisory representatives from Caltrans District 10, San Joaquin Regional Transit District, and the Port of Stockton. The Board meets on the fourth Thursday of each month (except for July and December) at 4:00 p.m., with Board workshops typically held prior to regular board meetings. All meetings are open to the public and streamed live on YouTube. Regular meetings are held at SJCOG administrative offices, which are accessible by public transit via numerous San Joaquin RTD routes as well as accessible to individuals using mobility devices.

During the audit period, the following individuals served as voting members of the San Joaquin Council of Governments:

- Ed Alves, City of Escalon (alternate 2023)
- Dan Arriolla, City of Tracy (alternate 2022-2024)



- David Bellinger, City of Escalon (2021-2024)
- Michael Blower, City of Stockton (alternate 2024)
- Paul Canepa, City of Stockton (2022-2023)
- Lisa Craig, City of Lodi (2024)
- Daniel de Graaf, City of Ripon (alternate 2022-2023)
- Sonny Dhaliwal, City of Lathrop (2024)
- Minnie Diallo, City of Lathrop (alternate 2022-2024)
- Steven Ding, San Joaquin County (2024)
- Jeremy Engle, City of Escalon (alternate 2024)
- Christina Fugazi, City of Stockton (2021)
- Sol Jobrack, City of Stockton (2021-2023)
- Doug Kuehne, City of Lodi (2021-2023)
- Jeff Laugero, City of Escalon (alternate 2022)
- Diana Lazard, City of Lathrop (2022-2024)
- Kevin Lincoln, City of Stockton (2024)
- Kathy Miller, San Joaquin County (2022-2023)
- Alan Nakanishi, City of Lodi (alternate 2022-2023)
- Jose Nuño, City of Manteca (alternate 2022-2024)
- Tom Patti, San Joaquin County (2021)
- Mike Restuccia, City of Ripon (alternate 2024)
- Robert Rickman, San Joaquin County (2021-2024)
- Gary Singh, City of Manteca (2021-2024)
- Miguel Villapudua, San Joaquin County (2024)
- Kimberly Warmesley, City of Stockton (2024) (alternate 2022-2023)
- Chuck Winn, San Joaquin County (2022-2023)
- Dan Wright, City of Stockton (2021-2024)
- Ramon Yopez, City of Lodi (alternate 2024)
- Nancy Young, City of Tracy (2021-2024)
- Leo Zuber, City of Ripon (2021-2024)

Ex-officio members:

- Dennis Agar, Caltrans (2021-2024)
- Anthony Barkett, Port of Stockton (2021-2022)
- Gary Giovanetti, SJRTD (2021-2024)
- Bill Trezza, Port of Stockton (2023-2024)

The SJCOC Board has two subcommittees. The Executive Committee is made up of five Board members. It is primarily tasked with reviewing agenda items and presenting recommendations to the full board. It meets on the third Thursday of the month at 1:00 p.m. and meetings are open to the public. The Project Delivery Committee reviews and makes recommendation to the Board regarding policy and procedural issues affecting the management of Measure K and Measure K renewal projects.

SJCOC also has several advisory committees that include representatives from throughout the county.



Citizens Advisory Committee (CAC). The CAC is comprised of 16 residents of San Joaquin County from diverse backgrounds. The primary function of the committee is to advise the Board in its role as the Local Transportation Authority and provide community input on project priorities and other matters related to Measure K. The CAC meets on the third Wednesday of the month at 6:00 p.m. and all meetings are open to the public. The County and each of the seven cities is represented, as are special interest groups including the League of Women Voters, Sierra Club, National Association for the Advancement of Colored People, and University of the Pacific, and the business, trucking, and agriculture industries. One member is also appointed as a transit advocate.

Habitat Technical Advisory Committee (HTAC). The HTAC is comprised of 15 stakeholders who make recommendations regarding issues specific to implementation of the San Joaquin Multi-Species Habitat Conservation and Open Space Plan (SJMSCP). The HTAC meets on the second Wednesday of the month at 9:30 a.m. and meetings are open to the public. Each of the seven cities is represented, as well as the United States Fish and Wildlife Service, California Department of Fish and Wildlife, San Joaquin County, Building Industries Association, Agricultural Commission, University of California Cooperative Extension, and members of the conservation and agricultural communities.

Interagency Transit Committee (ITC). The purpose of the ITC is to improve communication and coordination among transit agencies in San Joaquin County. The focus of the committee is transit planning, programming, financial activities of common interest to the operators, and transit capital program delivery. The ITC is comprised of representatives from transit agencies and member jurisdictions. Recommendations from the ITC are submitted to the M&FC and Board for approval. The ITC meets on the first Tuesday of the month at 1:00 p.m. via Zoom and meetings are open to the public.

Management and Finance Advisory Committee (M&FC). The 10-member M&FC provides recommendations to SJCOC Board on administrative and financial decisions of SJCOC. The committee is comprised of the chief administrative official of each SJCOC member agency, the General Manager of the San Joaquin Regional Transit District, and the Executive Director of the San Joaquin Regional Rail Commission. It also serves as the Transit Ad Hoc Committee which advises the Board on matters of transit financing and proposed funding policy. The M&FC meets on the third Wednesday of the month at 12 p.m. and meetings are open to the public.

Social Services Transportation Advisory Council (SSTAC). The SSTAC advises SJCOC Board on transit-related issues for traditionally under-represented and underserved populations, including seniors, persons with disabilities, low-income individuals, and minority communities. It participates in the annual TDA Article 8 “Unmet Needs Process.” SSTAC members are appointed by SJCOC Board and include representatives who are transit users, disabled, seniors, and social services providers. The SSTAC meets on the first Tuesday of the month at 3:00 p.m. and meetings are open to the public.

Technical Advisory Committee (TAC). The TAC is a 23-member working group that advises SJCOC Board on regional transportation planning and programming matters. The TAC is comprised of members from local community development and public works departments, Caltrans District 10, San Joaquin Regional Transit District, San Joaquin Regional Rail Commission, San Joaquin Air Pollution Control



District, Port of Stockton, and Stockton Metropolitan Airport. The TAC meets on the second Thursday of the month at 10:00 a.m. and meetings are open to the public.

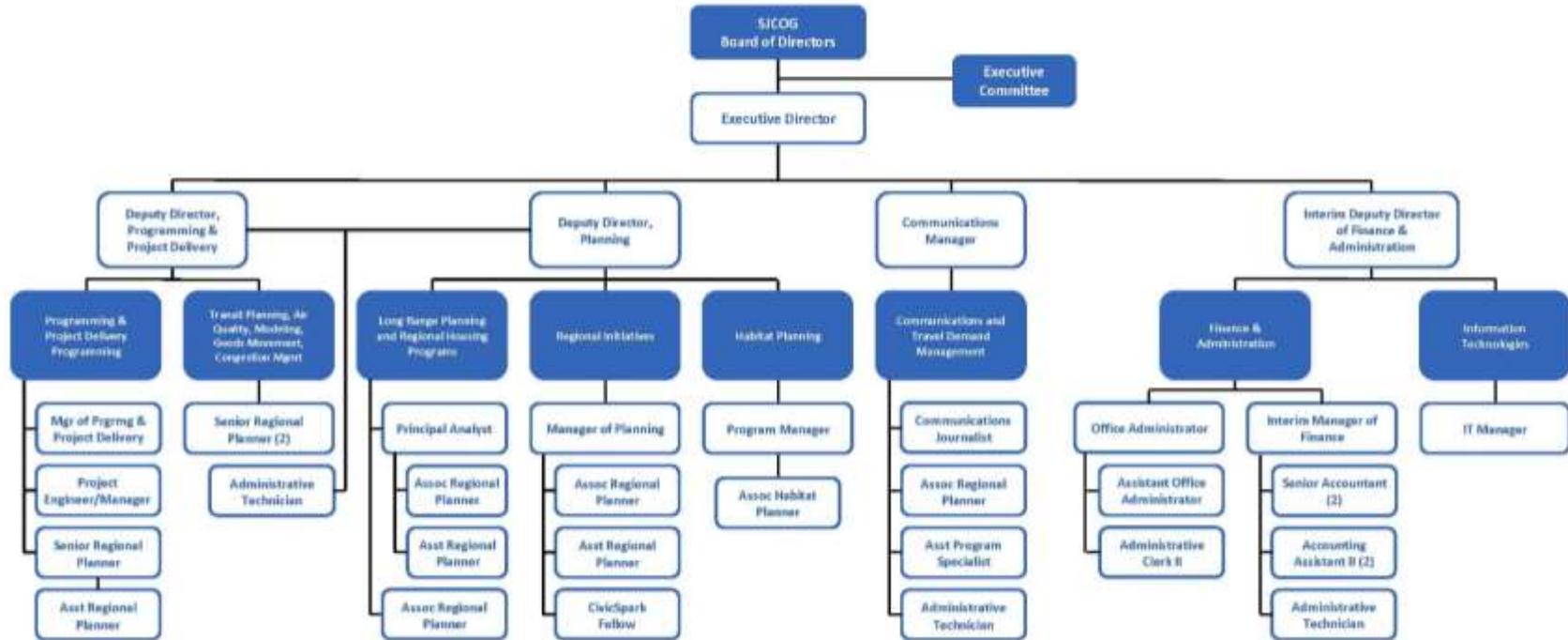
SJCOG also participates in several valley-wide organizations: San Joaquin Valley Regional Planning Agencies Directors Committee, San Joaquin Valley Regional Policy Council, San Joaquin Valley Regional Early Action Planning (REAP) Committee for Housing, California Vanpool Authority (CalVans) Board of Directors, and Megaregion Working Group.

Organization

Reporting directly to the SJCOG board is the Executive Director. An organizational chart is presented as Exhibit 3.1.



Exhibit 3.1 SJCOC Organizational Chart





Goal setting and strategic planning

The primary regional planning document is the Regional Transportation Plan and Sustainable Communities Strategy (RTP/SCS). The RTP is a long-range transportation plan providing a vision for regional transportation investments. The Sustainable Communities Strategy (SCS) element, required under SB 375, demonstrates the integration of land use, transportation strategies, and transportation investments that will help San Joaquin county meet regional greenhouse gas reduction targets.

The current Plan, which was adopted on August 25, 2022, was built around the policies included in the 2018 Plan, though it developed and evaluated new strategies for inclusion in the 2022 Plan. The 2022 Plan recognizes the significant impact the transportation network has on the region’s public health, mobility, and economic vitality.

The 2022 RTP/SCS includes the following eight regional goals, each of which is supported by implementation strategies and performance measures. These are identified in Exhibit 3.2.

In addition to the regional goals, the 2022 RTP/SCS includes an evaluation of regional mobility needs; a list of specific transportation policies, supportive strategies, and performance indicators; and a financial plan balancing multimodal development with available funding through 2046.

Exhibit 3.2 2022 RTP/SCS Policies, Supportive Strategies, and Performance Measures

Policy	Supportive Strategies	Performance Measures
Enhance the environment for existing and future generations and conserve energy	Encourage efficient development patterns that maintain agricultural viability and natural resources.	<ul style="list-style-type: none"> • Prime farmland developed (acres) • Energy and water consumption • Reducing greenhouse gases
	Encourage preservation of natural resources.	
	Enhance the connection between land use and transportation choices through project supporting energy and water efficiency.	
	Improve air quality by reducing transportation-related emissions.	
Maximize mobility and accessibility	Optimize the public transportation system to provide efficient and convenient access for users of all income levels.	<ul style="list-style-type: none"> • Improvements to mobility • Increased investment in transit • Transit routes
	Encourage infill development and development near transit, including transit-oriented development to maximize existing transit investments.	
	Provide transportation improvements to facilitate non-motorized travel, including incorporation of Complete Streets elements as appropriate.	
	Improve freight access to key strategic economic centers.	
	Promote safe and efficient strategies to improve the movement of goods by water, rail, and truck.	



Policy	Supportive Strategies	Performance Measures
Increase safety and security	Facilitate projects that reduce the number and severity of traffic incidents.	<ul style="list-style-type: none"> • Transportation system management improvements • Grade separation projects • Intelligent Transportation Systems
	Support local and state efforts for transportation network resiliency, reliability, and climate adaptation.	
Preserve the efficiency of the existing transportation system	Prioritize projects that make more efficient use of the existing road network.	<ul style="list-style-type: none"> • Acres of land consumed • High-quality transit areas/TOD • Investments on mainline highway system • Maintenance and operation improvements for the existing transportation system
	Support the continued maintenance and preservation of the existing transportation system.	
	Promote electric power, alternative fuels, and autonomous technologies for freight and agriculture.	
	Manage the adoption of electric vehicles and private connected and autonomous vehicles.	
	Promote electric power, alternative fuels, and autonomous technologies for public transit.	
Support economic vitality	Support transportation improvements that improve economic competitiveness, revitalize commercial corridors and strategic economic centers, and enhance travel and tourism opportunities.	<ul style="list-style-type: none"> • Creation of jobs • Supporting goods movement and economic centers
	Support workforce training across industries, particularly transportation-related industries.	
	Encourage and/or strengthen small business, while supporting large employer recruitment.	
	Invest in high-speed internet infrastructure to support e-business and reduce commuting.	
Promote interagency coordination and public participation for transportation decision-making and planning efforts	Provide equitable access to transportation planning	
	Engage the public early, clearly, and continuously	
	Use a variety of methods to engage the public, encouraging representation from diverse income and ethnic backgrounds	
Maximize cost-effectiveness	Support efforts to streamline the development process.	
	Support the use of state and federal grants to supplement local funding and pursue discretionary grant funding opportunities from outside the region	
	Support projects that maximize cost-effectiveness	
	Maximize funding of existing transportation options.	



Policy	Supportive Strategies	Performance Measures
Improve the quality of life for residents	Promote a broader range of housing types.	<ul style="list-style-type: none"> • Residential density • Community enhancements and place-making • Active transportation investments • Trip mode share • Housing mix • Transit accessibility
	Support the development of a regional trust fund dedicated to addressing housing issues.	
	Enhance public health through active transportation projects	

Each RTP update builds upon prior efforts but is reflective of current and future conditions. Prior efforts used in the development of the 2022 RTP/SCS included the following:

- San Joaquin Valley Blueprint;
- Regional Congestion Management Program;
- Measure K Expenditure Plan;
- Regional Transit System Plan;
- San Joaquin County Multi-Species Habitat Conservation and Open Space Plan;
- Regional Bicycle, Pedestrian, and Safe Routes to Schools Master Plan;
- Higher Density Housing Study;
- Local Agency Climate Action Plans; and
- Adaptation and Resiliency Study.

The 2022 RTP Update was supported by the 2016 San Joaquin Council of Governments’ Public Participation Plan. As a result of the COVID-19 pandemic, SJCOG staff were not able to implement all of the best practices identified during development of the 2018 RTP/SCS. These included significant participation in community events and broad in-person presentations, though more in-person activities were conducted toward the end of the update period. The following public engagement activities were undertaken as part of the 2022 update:

- Public webinars,
- Social media posts (Facebook, Twitter/X, Instagram, LinkedIn),
- Posting information on the sjcog.org website,
- Virtual mini-presentations to public agencies and non-profit organizations,
- Zoom meetings,
- Targeted flyers,
- RTP/SCS Implementation and Working Group (including three charrettes),
- MetroQuest surveys (Strategy Pillars and Face the Future Challenge),
- Face the Futures app (scenario development),
- Virtual focus groups,
- Table outreach at community events, and
- Public workshops and hearings.



SJCOC also partnered with community-based organizations to expand public outreach. It awarded grant funding to four local organizations to conduct outreach in historically underrepresented and underserved communities throughout the county including Black, Hispanic/Latino, and Asian communities; seniors; youth; and immigrants/refugees.

SJCOC is also responsible for regional planning for a variety of topics in addition to transportation, including air quality, housing, and climate adaptation. Regional plans completed during the audit period include the following:

- Cycle 6 Regional Housing Needs Plan for 2023-2031 (2022),
- Regional Resiliency Implementation Plan and Adaptation Guidance (2022),
- Fiber Readiness Study (2022),
- Priority Neighborhoods Active Transportation Improvement Plan (2022),
- Lodi Greenline Trail Feasibility Study (2022),
- Community, Diversity, and Displacement Study (2022), and
- Alternative Fuels Vision Plan (2023).



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Chapter 4 | Program Compliance

This section examines the SJCOG’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 SJCOG 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.

With one exception, SJCOG adheres to Transportation Development Act (TDA) regulations in an efficient and effective manner:

1. Several operators did not complete their TDA fiscal audits within the extended timeframe allowed by the State Controller.

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 3.1 Transit Development Act Compliance Requirements

Compliance Element	Reference	Compliance	Comments
All transportation operators and city or county governments which have responsibility for serving a given area, in total, claim no more than those Local Transportation Fund monies apportioned to that area.	PUC 99231	In compliance	
The RTPA has adopted rules and regulations delineating procedures for the submission of claims for facilities provided for the exclusive use of pedestrians and bicycles (Article 3).	PUC 99233, 99234	In compliance	Forms for Article 3 claims are included in the TDA claim form.
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	SJCOC’s SSTAC meets on the first Tuesday of every month. During the audit period, a public hearing was held as part of a regular SSTAC meeting: <ul style="list-style-type: none"> • November 9, 2021 • November 1, 2022 • November 7, 2023
The RTPA has annually identified, analyzed, and recommended potential productivity improvements which could lower operating cost of those operators, which operate at least 50 percent of their vehicle service miles within the RTPA’s jurisdiction. Recommendations include, but are not being limited to, those made in the performance audit. <ul style="list-style-type: none"> • A committee for the purpose of providing advice on productivity improvements may be formed. • The operator has made a reasonable effort to implement improvements recommended by the RTPA as determined by the RTPA, or else the operator has not received an allocation that exceeds its prior year allocation. 	PUC 99244	In compliance	SJCOC staff review operator productivity improvements annually as part of the TDA claims process.
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	Finding	Some operators completed their fiscal audits after the extended deadline. These are detailed in Exhibit 3.2 below.
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: December 29, 2022 FY 2022/23: December 19, 2023 FY 2023/24: Pending
The RTPA has submitted within 90 days after the end of the fiscal year an annual financial transactions report to the state controller.	CCR 6660	In compliance*	FY 2021/22: February 7, 2023 FY 2022/23: January 24, 2024 FY 2023/24: Pending

**While late submittal of the State Controller Report would typically be considered a compliance finding, given the report was submitted only a week late and the subsequent report was submitted on time, we are not considering this to be a finding at this time.*



Compliance Element	Reference	Compliance	Comments
The RTPA has designated an independent entity to conduct a performance audit of operators and itself (for the current and previous triennia). For operators, the audit was made and calculated the required performance indicators, and the audit report was transmitted to the entity that allocates the operator’s TDA money, and to the RTPA within 12 months after the end of the triennium. If an operator’s audit was not transmitted by the start of the second fiscal year following the last fiscal year of the triennium, TDA funds were not allocated to that operator for that or subsequent fiscal years until the audit was transmitted.	PUC 99246, 99248	In compliance	Moore & Associates was engaged to prepare the prior Triennial Performance Audits, which were completed in March 2022. Moore & Associates was also engaged to prepare the current Triennial Performance Audits.
The RTPA has submitted a copy of its performance audit to the Director of the California Department of Transportation. In addition, the RTPA has certified in writing to the Director that the performance audits of operators located in the area under its jurisdiction have been completed.	PUC 99246(c)	In compliance	The prior Triennial Performance Audits were submitted to Caltrans by SJCOC on May 31, 2022.
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	Alternate performance criteria are adopted every three years for Escalon, Lodi, Manteca, and Tracy. New criteria were not adopted during the audit period due to penalty waivers from AB 90, AB 149, and SB 125.
The performance audit of the operator providing public transportation services shall include a verification of the operator’s cost per passenger, operating cost per vehicle service hour, passenger per vehicle service mile, and vehicle service hours per employee, as defined in Section 99247. The performance audit shall include consideration of the needs and types of passengers being served and the employment of part-time drivers and the contracting with common carriers of persons operating under a franchise or license to provide services during peak hours, as defined in subdivision (a) of section 99260.2.	PUC 99246(d)	In compliance	
The RTPA has established rules and regulations regarding revenue ratios for transportation operators providing services in urbanized and newly urbanized areas.	PUC 99270.1, 99270.2	Not applicable	



Compliance Element	Reference	Compliance	Comments
The RTPA has adopted criteria, rules, and regulations for the evaluation of claims filed under Article 4.5 of the TDA and the determination of the cost effectiveness of the proposed community transit services.	PUC 99275.5	Not applicable	Article 4.5 claims are not separately identified in the TDA claim form. SJRTD claims Article 4.5 funds (as itself and Access San Joaquin).
State transit assistance funds received by the RTPA are allocated only for transportation planning and mass transportation purposes.	PUC 99310.5, 99313.3, Proposition 116	In compliance	
Transit operators must meet one of two efficiency standards in order to use their full allocation of state transit assistance funds for operating purposes. If an operator does not meet either efficiency standard, the portion of the allocation that the operator may use for operations shall be the total allocation to the operator reduced by the lowest percentage by which the operator’s total operating cost per revenue vehicle hour exceeded the target amount necessary to meet the applicable efficiency standard. The remaining portion of the operator’s allocation shall be used only for capital purposes.	PUC 99314.6	In compliance	SJCOG conducts both efficiency tests as part of the annual TDA claims process. Operators that do not meet either efficiency test may not claim the full STA amount for operating purposes. This requirement was waived during the audit period under AB 90, AB 149, and SB 125.
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	
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: <ul style="list-style-type: none"> • Consulted with the Social Services Transportation Advisory Council (SSTAC) established pursuant to PUC Section 99238; • Identified transit needs, including: <ul style="list-style-type: none"> ▪ Groups that are transit-dependent or transit-disadvantaged; ▪ Adequacy of existing transit services to meet the needs of groups identified; and ▪ Analysis of potential alternatives to provide transportation alternatives; • Adopted or reaffirmed definitions of “unmet transit needs” and “reasonable to meet”; • Identified the unmet transit needs and those needs that are reasonable to meet; and • Adopted a finding that there are no unmet transit needs, that there are no unmet transit needs that are reasonable to meet, or that there are unmet transit needs including needs that are reasonable to meet. <p>If a finding is adopted that there are unmet transit needs, these needs must have been funded before an allocation was made for streets and roads.</p>	PUC 99401.5	In compliance	Unmet transit needs public hearings were held during regularly scheduled SSTAC and SJCOG Board meetings on the following dates: <ul style="list-style-type: none"> • November 9, 2021 • December 9, 2021 • November 1, 2022 • December 8, 2022 • November 7, 2023 • November 30, 2023 <p>There was also an option for virtual attendance at all public hearings.</p>



Exhibit 3.2 Operator TDA fiscal audit completion dates

Operator	FY 2021/22	FY 2022/23	FY 2023/24
Escalon	January 31, 2024	Not completed	Not completed
Lodi	December 29, 2022	March 12, 2024	Not completed
Manteca	Not completed	Not completed	Not completed
Ripon	December 28, 2022	December 28, 2023	December 13, 2024
Tracy	May 11, 2023	March 29, 2024	Pending
SJRRC	March 1, 2023	February 5, 2024	Pending
SJRTD	March 31, 2022 (2023?)	March 26, 2024	Delayed

Red text indicates an audit that was not completed within the established time period.



Chapter 5 | Prior Recommendations

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

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

1. Upon completion of the triennial performance audit process, SJCOG must prepare a transmittal letter to Caltrans which certifies the completion of the operator audits and accompanies submittal of the RTPA audit.

Discussion: CCR 6664.6 requires the RTPA to certify in writing to Caltrans that a triennial performance audit of its operators has been completed. This certification must include the name of the audited operator, the time and period covered by the performance audit, and the name of the auditor conducting the audit.

At the time of the prior audit, SJCOG staff were unable to provide any letter or email that had been submitted to Caltrans upon completion of the RTPA audit. Per CCR 6664.6, certification of the operator audits must be in writing. It is most convenient to include all of these elements (transmittal letter with operator certification and submittal of the RTPA audit) in a single submittal. The submittal can be electronic if desired, which is also easy to document. Proof of this submittal should be retained for the compliance review during the next triennial performance audit.

Progress: A certification letter was created and was signed and submitted to Caltrans along with a copy of the RTPA audit for the prior audit cycle.

Status: Implemented.

2. Use data obtained through the Bureau of Labor Statistics or another appropriate source to determine change in CPI for each test.

Discussion: The efficiency tests used to determine an operator's eligibility to use STA funds for operating purposes compare the current operating cost per vehicle service hour to the prior operating cost per vehicle service hour adjusted for according to the Consumer Price Index (CPI). There are two tests used. The first compares the most recent year for which audited information is available to the prior year (adjust by one year's change in CPI). The second compares the average of the most recent three-year period to the three-year period immediately prior. This requires a separate CPI calculation, as it is not measuring the change over just one year, but using an average of three years.

In the TDA claims template for FY 2020/21, 2.90 was used as the change in CPI. This appears to be incorrect. Using Bureau of Labor Statistics (BLS) data for the Western Region of the United States,



the prior auditor calculated the one-year change as 2.32 percent and the three-year change (using averages for each three-year period) as 2.81 percent. While SJCOC does appear to adjust the CPI for each individual year's claims, it uses the same figure for both tests.

The prior auditor recommended SJCOC use CPI data from the Bureau of Labor Statistics (BLS) (or another reliable and appropriate source) to determine the change in CPI for the one-year period, as well as to calculate CPI averages for change over the three-year period. Focusing on Western Region data, the BLS website provides historic CPI data broken down by half-years (which could be used to calculate average CPI for the full fiscal year).

Progress: This was put on hold, since AB149 and subsequent legislations suspended through FY25-26, the requirement that claimants must meet the STA eligibility for claiming for operating purposes.

Status: Implementation in progress.

3. [Work with Article 8\(c\) operators to develop appropriate alternative performance measures for the years following the COVID-19 pandemic.](#)

Discussion: SJCOC sets alternative performance measures for the cities of Escalon, Lodi, Manteca, and Tracy at the beginning of every triennial period. These are typically based on each operator's performance during the last year of the prior triennial period. Doing so generally ensures that these measures are achievable. However, given the COVID-19 pandemic, it is difficult to use the most recent three-year period as a benchmark. Nor should FY 2018/19 be used as a benchmark, given how conditions have changed since the last "normal" year. As a result, the prior auditor noted it was imperative SJCOC works with the individual operators to develop appropriate performance measures for the next three years. It noted SJCOC may wish to consider using one or more measures not related to ridership, at least in the interim, since that was the metric hit hardest by the pandemic.

The prior auditor recommended SJCOC work with the operators to determine the best approach for measuring productivity and compliance across the next triennial period. It advised that operators should use the years of the current audit period (for which relief measures are in place) to develop, along with SJCOC, a plan for being able to meet established metrics once those relief measures expire. This does not constitute simply giving operators a "pass," but using this time during which they will not be held accountable for productivity improvements to evaluate goals and, if desired, determine new performance measures.

Progress: No performance standards were developed for the current audit period. As a result, the performance metrics were not assessed in the TDA fiscal audits for most of the Article 8(c) operators. Discussions with SJCOC during the current audit site visit focused on the development of performance standards for FY 2025/26 as a "test run" before operators are once again responsible for meeting the performance standards to maintain eligibility for TDA funding in FY 2026/27.

Status: Not implemented.

Chapter 6 | Functional Review

A functional review of the San Joaquin 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

SJCOG provides an appropriate level of administration for regional transportation planning activities. TDA claims are generally processed within a week for preliminary approval. The claimant will then take the claim to its Board for approval during the month the RTPA gives its preliminary approval. Once approved by the claimant's Board, SJCOG will take the claim to its Board during that or the following month. SJCOG prefers to receive claims prior to June of each year, though they give claimants some leeway because the final revenues do not come in until August. SJCOG follows TDA guidelines provided by Caltrans.

The RTP is updated every four years by state statute. The last RTP was adopted in August 2022. The 2026 update was just getting started at the time of the site visit.

Quarterly progress reports on the financial expenditures of ongoing programs and special projects are reviewed regularly by management. SJCOG's planners are primary responsible for monitoring the progress and financial status of ongoing programs. A narrative of accomplishments is also compiled each quarter by SJCOG staff. SJCOG holds monthly meetings with its standing committees (detailed in Chapter 3). As new funding is identified, working groups are formed that include all of the potentially eligible users of the funds to shape policy and make recommendations on the use of those funds. Those recommendations are brought to the various committees before going to the Board. Claimants are generally satisfied with SJCOG's efficiency and effectiveness.

SJCOG has established clear, comprehensive, and realistic goals and objectives for internal functions, regional coordination, grant applications, operator performance, and transportation alternatives through its annual Overall Work Plan (OWP) and Regional Transportation Plan. The OWP describes in detail milestones, deliverables, and schedules to be accomplished during the fiscal year. SJCOG has made progress toward achievement of its goals.

The agency recently hired a staffer with grants experience who meets with the Executive Director and Deputy Executive Director about the grants researched and whether SJCOG can fulfill the goal of the grant. The Executive Director then chooses which grants to pursue. The SJCOG has also been working extensively on its transportation alternatives function and several programs have been implemented or are in the works, including a mobility program, Míocar, Uber rides, grant funding for bus cards and Uber rides for

disadvantaged individuals, electric bikes, electric vehicle training, and electric vehicle charging stations in outlying areas.

San Joaquin COG's employees are generally sufficient in number and qualification for the RTPA to accomplish its functions. Turnover of SJCOG staff is typically modest. The SJCOG recent added a senior-level Accountant and two individuals hired as staff augmentation for the SR99/SR120 construction project. The agency has one open position for an Administrative Technician.

Each San Joaquin COG staffer meets with his/her supervisor at the beginning of the year to identify individual performance goals and staff activities for that year. Staff are encouraged to participate in webinars, online courses, and seminars related to individual positions and responsibilities to build skills and knowledge. Formal job performance evaluations are conducted annually, but supervisors meet with staff individually throughout the year. SJCOG offers a comprehensive benefit package and has several employee incentive programs, including a rideshare/commute program, computer loan programs, retirement savings programs, and educational reimbursement. SJCOG's longevity program offers a one percent salary increase after ten years, a two percent increase after 15 years, and a three percent increase after 20 years. Staff may also work from home on Mondays and Fridays.

Most of San Joaquin COG's senior staff attend the monthly Board meetings. Planning and other staff attend based on items being presented to the Board during a particular month. All Board meetings are held in person with no hybrid option, though meetings can be viewed remotely through a link on the SJCOG website.

One of the SJCOG's recent successes has been the construction on the SR 99/SR 120 highway project. The project required the support of the full Board and to make sure it was the primary issue discussed in Sacramento and Washington, DC, as it would require a considerable amount of funding to make it a reality. That interchange results in six times more accidents than the state average and is the county's most dangerous location. The SJCOG Board had to prioritize that project for funding from the state that could have gone elsewhere. This represented a top achievement in the eyes of SJCOG's Executive Director. SJCOG is leading the construction, rather than Caltrans, in an effort to expedite the project's completion. SJCOG is striving to be as good a steward of the money as it can be, and remains in close communication with the construction team so issues can be addressed as they arise. SJCOG expects the first portion of the project (Phase 1A), which includes the most dangerous portions of the roadway, to take two years. The agency will then commence with the second portion (Phase 1B). SJCOG is currently seeking funding for Phase 1B.

Transportation Planning and Regional Coordination

SJCOG completed an update of its Regional Transportation Plan/Sustainable Communities Strategy in August 2022 (detailed further in Chapter 3) and recently began work on the 2026 Plan. SJCOG typically does much of the work in-house but engages a consultant to conduct the Environmental Impact Report and any other components where experts are needed. SJCOG staff are considering bringing in a consultant to look at long-term (25-year) financial estimates as part of the next RTP/SCS update. Staff feel the agency does an excellent job in preparing this planning document. The agency prides itself on its robust public outreach process that results in good participation from a wide variety of demographic groups. It is always seeking to expand public engagement for the RTP/SCS process even further. The RTP/SCS process has

resulted in the prioritization of specific projects that will offer the most return on investment, whether for congestion relief, safety, or preparing for future growth. The RTP/SCS also serves as a unifying factor for members of the SJCOC Board, as it focuses on the county as a whole rather than individual jurisdictions.

SJCOC previously used a three-county model for its transportation demand forecasting, but now uses a San Joaquin County model. A consultant was brought onboard to calibrate the model and make modifications. The consultant has also been training SJCOC staff on how to use and modify the model.

Claimant Relationships and Oversight

SJCOC does not currently have a productivity committee. However, it conducts regular monitoring of transit operator performance through the claims process and meetings of the Interagency Transit Committee (ITC). Progress is included in a staff report to the Board during the first year after completion of the triennial performance audits, then monitored by staff during the two remaining years. In general, operator efforts to implement suggestions and recommendations are reasonable and effective.

SJCOC does not typically offer technical and managerial assistance available to operators, nor have there been requests for such assistance. Staff are in regular communication with claimants. During the claims process, SJCOC is available to help via phone and email. SJCOC conducts a TAC meeting where most operators participate.

The RTPA communicates TDA guidance to operators, including the TDA handbook and claim forms. SJCOC, as part of its fiscal audit contract, arranges for annual fiscal audits of TDA and Measure K funds. SJCOC is also responsible for contracting for triennial performance audits of itself and San Joaquin County operators.

The RTPA receives an audited annual financial report from most operators within its jurisdiction within 180 days after the end of the fiscal year. There have been several instances where audits were delayed, sometimes significantly. These delays are typically due to staffing turnover on the part of individual claimants. SJCOC appropriately withheld TDA allocations from those operators until the audits were completed. However, during the current audit period, San Joaquin Regional Transit District (RTD) was the victim of a cyberattack that destroyed its financial database, and that database must be completely rebuilt before RTD can undergo its FY 2023/24 audit. The RTD's Triennial Performance Audit includes recommendations about maintaining its TDA funding even if it has not completed its audit given the circumstances. This is a one-time exception that is discussed in more detail in Chapter 7.

Marketing and Transportation Alternatives

SJCOC does not provide marketing on behalf of any of the transit operators, though it will distribute press releases or other information upon request. It does advertise and promote the Dibs smart travel commute program, which offers information about alternative transportation options, trip planning, and incentive programs. The SJCOC is currently conducting a Transportation Demand Management (TDM) study that will incorporate some marketing strategies to result in better measurement. The SJCOC maintains an active transportation program as well as works with employers to inform and educate the public regarding the benefits of using alternative transportation. At times, staff will coordinate events with employers. The agency also provides vanpool incentives. While it does not have influence regarding



the planning, zoning, and development projects of local and regional government entities, SJCOC will make recommendations within General Plans and TDM elements.

Grant Applications and Management

Transit operators are generally responsible preparing their own grant applications. SJCOC may notify operators of opportunities, provide guidance, and review and coordinate grant applications by operators, but the level of intensity varies from grant to grant. SJCOC does not generally ensure consistency or prioritize grants between operators unless that role is identified as an RTPA role for a specific grant. An example of this is the recent SB 125 funds – the SJCOC’s planners have been meeting with the operators to determine how to divide the county’s money under this funding source. The RTPA prefers to allow all grants by operators to stand on an even playing field and allow the grant selection process of the grantor to determine the priorities. Grant opportunities are presented on a monthly basis during the TAC meeting. SJCOC does not offer year-round grant writing support. SJCOC will provide letters of support for grant applications upon request.

Chapter 7 | Findings and Recommendations

Conclusions

With one exception, we find the San Joaquin Council of Governments, functioning as the RTPA, 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. The compliance finding and the recommendation for its resolution, as well as modest recommendations intended to improve the effectiveness of the organization as the RTPA, are detailed below.

Findings and Recommendations

Based on the current review, we submit the following TDA compliance findings:

1. Several operators did not complete their TDA fiscal audits within the extended timeframe allowed by the State Controller.

The audit team has identified three functional findings. While these findings are not compliance findings, the auditors believe they are significant enough to be addressed within this review:

1. The TDA claim form could benefit from some updates.
2. TDA funding should be maintained to RTD even if its FY 2023/24 fiscal audit has not yet been completed (as a one-time exception due to RTD's extensive cyberattack).
3. The SJCOG has not developed performance standards against which to evaluate its Article 8(c) recipients that utilize alternative performance criteria.

In completing this Triennial Performance Audit, the auditors submit the following recommendations for the SJCOG's program. They are divided into two categories: TDA Program Compliance Recommendations and Functional Recommendations. TDA Program Compliance Recommendations are intended to assist in bringing the operator into compliance with the requirements and standards of the TDA, while Functional Recommendations address issues identified during the audit that are not specific to TDA compliance. Each finding is presented with the elements identified within the 2011 *Government Auditing Standards* as well as one or more recommendations.

Compliance Finding 1: Several operators did not complete their TDA fiscal audits within the extended timeframe allowed by the State Controller.

Criteria: PUC 99245 requires recipients of TDA funds to submit an annual fiscal audit within 180 days of the end of the fiscal year, or with a 90-day extension which may be granted by the RTPA. With the extension, fiscal audits are due by March 31 following the end of the fiscal year.

Condition: The City of Escalon completed its FY 2021/22 audit on January 31, 2024 (approximately 10 months after the extended deadline) and has yet to complete its FY 2022/23 audit. The City of Tracy completed its FY 2021/22 audit on May 11, 2023, approximately six weeks after the extended deadline,

though its subsequent audit was completed on time. The City of Manteca has yet to complete any of its fiscal audits from the audit period. At the time of this draft report, three operators (City of Escalon, City of Lodi, and City of Manteca) indicated their FY 2023/24 TDA fiscal audits would not be completed by March 31, 2025. Completion of TDA fiscal audits for the City of Tracy and Regional Rail Commission had yet to be confirmed.

Cause: In most cases, delays in completing the audits were due to staffing turnover within the individual cities. The City of Escalon has had high turnover of its Finance Director, which has led to delays in completing its city-wide audits. The City of Tracy also experienced delays in completion of the city-wide audit, though these delays were due to one of the City’s component units. The City of Manteca also experienced staffing changes in its Finance department that have delayed completion of its audits.

Effect: When TDA fiscal audits are submitted beyond the established deadline, the operator is out of compliance with the TDA. (This finding is included within the individual operator audits as well.)

Recommendation: Work with transit operators to ensure they can complete their TDA fiscal audits within the established timeframe.

Recommended Action: Continue to allow extensions through March 31 for transit operators that request them. Maintain communications with operators to ensure all staff are aware of the audit timelines so that City audits can be completed far enough in advance to ensure successful completion of TDA fiscal audits on time. This recommendation is provided with the understanding there may be limited action the SJCOG can take to impact the completion of city-wide audits that result in delays to TDA fiscal audits.

Timeline: Ongoing.

Anticipated Cost: Negligible.

Functional Finding 1: The TDA claim form could benefit from some updates.

Criteria: Under PUC 99261, it is the responsibility of the RTPA to adopt rules and regulations to delineate procedures for the submission of TDA claims.

Condition: The SJCOG’s current claim form provides an effective and comprehensive method for filing and evaluating claims for TDA funding. However, it could benefit from several modest updates to make it more effective. First, the claim form does not have a field wherein claimants can indicate the status of the recommendations from their most recent triennial performance audit. This is a common component of a TDA claim form, especially when the TDA claims process is used to fulfill the productivity review requirement (PUC 99244). Second, the claim form does not include within the Assurances a statement that the “current cost of the operator’s retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing a plan approved by the RTPA, which will fully fund the retirement system for 40 years” (per PUC 99271). This is also commonly included as part of the Assurances to which the operator attests as part of the claim. Finally, while SJCOG

is correctly updating the change in the Consumer Price Index (CPI) as part of its STA eligibility form, it is using the same CPI for both tests, though the two tests are comparing two different periods of time.

Cause: This finding does not represent a deficiency in the SJCOG’s TDA claim form, but are intended to improve its utility.

Effect: These changes are expected to make the TDA claim form more comprehensive while providing SJCOG staff with more information with which to monitor each claimant.

Recommendation: Update the TDA claim form to include the status of prior audit recommendations, add the retirement item to the Assurances, and reflect the appropriate change in CPI for the STA eligibility tests.

Recommended Action: The recommended changes will require the addition of one page to the existing TDA claims worksheet. The status of prior audit recommendations will need to be added as a separate page using a simple tabular format as shown below.

Recommendation	Implementation Status

Inclusion of this information in the TDA claim will enable the SJCOG to provide ongoing oversight of implementation of recommendations. Some recommendations may take multiple years to implement, or circumstances may have changed that preclude a recommendation from being implemented. This page of the TDA claim will provide operators with the opportunity to detail any progress they have made toward implementation, or explain why no progress has been made.

The retirement item can be added to page 31 of the Assurances without requiring the addition of another page. Some RTPAs phrase this slightly differently to allow the operator to tick the appropriate option; this could require the addition of another page as currently formatted. This alternative phrasing is as follows:

Claimant certifies that (initial one):

- _____ a) the current cost of its retirement system is fully funded with respect to the officers and employees of its public transportation system (PUC 22971(a)); or
- _____ b) the operator is implementing a plan approved by SJCOG which will fully fund the retirement system for such officers and employees within 40 years (PUC 99271(a)); or
- _____ c) the operator has a private pension plan which sets aside and invests, on a current basis, funds sufficient to provide for the payment of future pension benefits and which is fully compliant with the requirements stated in PUC 99272 and 99273.

Finally, the recommendation regarding CPI was continued from the prior audit. Given the waivers under AB 90, AB 149, and SB 125, compliance with the efficiency tests was not required for claimants to use STA funding for operations. However, this should be corrected before the requirement goes into effect in FY 2026/27. SJCOG is correctly calculating the one-year change in CPI. However, in order to calculate the

three-year change, it needs to determine the average CPI for each three-year period and then calculate the change between the two.

Timeline: FY 2025/26.

Anticipated Cost: Negligible.

Functional Finding 2: TDA funding should be maintained to RTD even if its FY 2023/24 fiscal audit has not yet been completed (as a one-time exception due to RTD’s extensive cyberattack).

Criteria: RTD’s recent cyberattack has the potential to impact its ability to complete several compliance-related activities within the established timeframes, including completion of the annual fiscal audit (PUC 99245) and submittal of the Transit Operators Financial Transaction Report to the State Controller (PUC 99243), as well as the potential to delay TDA allocations for FY 2025/26 due to the delay in the annual fiscal audit (CCR 6664).

Condition: The RTD has had to rebuild its entire financial database month-by-month as a result of the cyberattack. As a result, it cannot conduct a fiscal audit or provide other financial data for FY 2023/24 until the database has been rebuilt. RTD has requested an extension beyond March 31, 2025 for its fiscal audit and is also requesting extensions from the State Controller and FTA with respect to other external reports.

Cause: The cyberattack was the clear cause for these issues. Prior to the cyberattack, RTD was clearly in compliance with all of its audits and reporting.

Effect: RTD cannot report its financial data for FY 2023/24 until the financial database has been rebuilt. That will put it beyond established deadlines for these reports.

Recommendation: Work with RTD to ensure it receives its TDA allocation for FY 2025/26 even if completion of the audit is delayed.

Recommended Action: Under CCR 6664, the RTPA should not allocate funds to any claimant that has not submitted its fiscal audit for the prior year. However, given the cyberattack was outside of RTD’s control, the audit team believes it should not be punished by having its funding withheld while it engages in the reconstruction of its financial database. This would have a negative impact on the continuing operation of RTD. To that end, it is recommended that RTD file its TDA claim for FY 2025/26 as it would normally do, even if it has not completed its FY 2023/24 audit, and that SJCOC pay that claim as it normally would. **This action must be paired with RTD’s Recommendation 4**, which calls for a reconciliation of RTD’s eligibility for funds received in FY 2023/24 against its claim for FY 2025/26 once the FY 2023/24 audit is complete. SJCOC would then need to make any corrections to RTD’s allocation during FY 2025/26 or FY 2026/27.

Timeline: FY 2024/25.

Anticipated Cost: Negligible.

Functional Finding 3: The SJCOC has not developed performance standards against which to evaluate its Article 8(c) recipients that utilize alternative performance criteria.

Criteria: PUC 99405(c)(2) gives the RTPA the authority to adopt performance criteria other than farebox recovery ratio to determine funding eligibility for recipients under Article 8(c). SJCOC uses alternative performance criteria for the cities of Escalon, Lodi, Manteca, and Tracy.

Condition: SJCOC did not develop performance standards for the three-year period covered by the current audit. This was due to uncertainty regarding recovery from the COVID-19 pandemic and the lack of appropriate data on which to base such standards. In addition, the penalty waivers under AB 90, AB 149, and SB 125 eliminated compliance with performance standards as a requirement for funding.

Cause: The penalty waiver, along with the unavailability of good data on which to base performance standards, resulted in no performance standards being developed.

Effect: Without performance standards, there is no way of knowing if the operators will be positioned to meet the funding eligibility requirements when the penalty waivers expire after FY 2025/26.

Recommendation: Develop performance standards for Article 8(c) recipients in advance of the reinstatement of penalties for non-compliance in FY 2026/27.

Recommended Action: With data from multiple post-COVID operating years available, SJCOC should use FY 2025/26 as a “test run” for developing performance standards for its four Article 8(c) operators. This will enable SJCOC to identify performance standards that are appropriate yet attainable for each operator given current ridership, operational, and funding levels. Rather than preparing a single standard for the three-year period, we recommend developing standards for each year for FY 2025/26 and FY 2026/27. The standards developed for FY 2025/26 would give both SJCOC and the operators the opportunity to fine-tune them before FY 2026/27, at which time the operators would once again be required to meet them under the current legislation. The SJCOC may also wish to consider whether it should continue using the same performance standards it used prior to the COVID-19 pandemic or if other standards would be more appropriate given the current operating environment.

Timeline: FY 2025/26.

Anticipated Cost: Negligible.



Exhibit 7.1 Audit Recommendations

TDA Compliance Recommendations		Importance	Timeline
1	Work with transit operators to ensure they can complete their TDA fiscal audits within the established timeframe.	Medium	Ongoing
Functional Recommendations		Importance	Timeline
1	Update the TDA claim form to include the status of prior audit recommendations, add the retirement item to the Assurances, and reflect the appropriate change in CPI for the STA eligibility tests.	Medium	FY 2025/26
2	Work with SJCOG to ensure RTD receives its TDA allocation for FY 2025/26 even if completion of the audit is delayed.	High	FY 2024/25
3	Develop performance standards for Article 8(c) recipients in advance of the reinstatement of penalties for non-compliance in FY 2026/27.	Medium	FY 2025/26