



SAN JOAQUIN REGIONAL TRANSIT DISTRICT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

TRANSPORTATION DEVELOPMENT ACT
COMPLIANCE REPORT

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on YOU



SAN JOAQUIN REGIONAL TRANSIT DISTRICT

**Transportation Development Act
Compliance Report**

For The Fiscal Year Ended June 30, 2023

SAN JOAQUIN REGIONAL TRANSIT DISTRICT

Transportation Development Act
Compliance Report

For The Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

To the Board of Directors
San Joaquin Council of Governments
Stockton, California

Report on Compliance

Opinion

We have examined management of the San Joaquin Regional Transit District's (the District) assertion that the District complied with the applicable compliance requirements of the Transportation Development Act (TDA), including Public Utilities Code Section 99245 and the California Code of Regulations Section 6664 (the Guide) and the Low Carbon Transit Operations Program (LCTOP), for the year ended June 30, 2023. The District's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

In our opinion, management's assertion that the District complied with the aforementioned requirements for the year ended June 30, 2023, is fairly stated, in all material respects.

Basis for Opinion

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion over compliance with the specified requirements is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain audit evidence about management's assertion over compliance with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to the District's use of TDA and LCTOP funding.

Auditor's Responsibilities for the Audit of Compliance

Our responsibility is to express an opinion on management's assertion of compliance with the requirements described in the Guide based on our examination. We conducted our examination of compliance in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the Guide. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance with the specified requirements is fairly stated, in all material respects.



To the Board of Directors
San Joaquin Council of Governments
Stockton, California

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the Transportation Development Act (TDA), including Public Utilities Code Section 99245 and the California Code of Regulations Section 6664 and LCTOP Guidelines. Accordingly, this report is not suitable for any other purpose.

Lance, Soll & Lughard, LLP

Sacramento, California
March 26, 2024

SAN JOAQUIN REGIONAL TRANSIT DISTRICT
Transportation Development Act
Compliance Analysis
For the Fiscal Year Ended June 30, 2023

A. Compliance Requirement

Determine whether the San Joaquin Regional Transit District (District) was eligible to receive Transportation Development Act (TDA) and Local Transportation Fund (LTF) revenues under Public Utilities Code (PUC) Article 4, Section 99260 and Article 8, Section 99400(c), and meets the definitions of Article 1 of the TDA.

Findings

The District operates a public transportation system with a number of routes within San Joaquin County (the County) and surrounding areas and contracts with one independent contractor for the City of Escalon for public transportation services. The District meets the definitions of Article 1 of the TDA in that the District was established in 1963 under the PUC of the State of California and is responsible for financing, construction, and operations of public transportation services within the service area of the District.

Conclusion

The District was eligible to receive the LTF funds allocated to it during the year 2023.

B. Compliance Requirement

Determine whether the District is maintaining its accounts and records on an enterprise fund basis and is otherwise in compliance with the Uniform System of Accounts (USOA) and records adopted by the State Controller pursuant to PUC Section 99243. This requirement includes the submission of an Annual Report of Financial Transactions of Transit Operators to the San Joaquin Council of Governments (SJCOG) and State Controller's Office within seven months of the fiscal year-end.

Findings

The District's annual audited financial statements and Annual Report of Financial Transactions of Transit Operators are properly presented on an enterprise fund basis, which is in compliance with the USOA and records adopted by the State Controller. The Annual Report of Financial Transactions of Transit Operators was filed electronically within the required time period.

Conclusion

The District met the accounting and financial reporting requirements under PUC Section 99243.

C. Compliance Requirement

Determine whether the LTF revenues received by the District pursuant to the TDA were expended in conformance with those sections of the TDA specifying the qualifying purposes, including PUC Sections 99262 and 99263 for funds received under Article 4 and PUC Section 99400(c) of Article 8 for service provided under contract. Furthermore, determine whether State Transit Assistance (STA) Fund revenues received by the District pursuant to the TDA were expended in conformance with the sections of the California Code of Regulations (CCR) specifying the qualifying purposes including Section 6730(a) for operating costs and capital requirements, and Section 6731(b) for contracted transit services.

Findings

The District received \$29,391,157 in LTF revenues and \$175,000 in STA revenues for the year ended June 30, 2023. The District had \$2,018,762 of LTF deferred revenue and \$20,077,435 of STA deferred revenue at June 30, 2023. The June 30, 2023, STA deferred revenue is programmed for future capital projects. STA funds were claimed for capital and operating purposes in the amounts of \$10,440,851 and \$175,000, respectively. A review of the expenses of the District revealed that they were all ordinary and necessary to the operation of a public transit system.

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Conclusion

Funds received by the District, pursuant to the TDA, were expended in conformance with those sections of the TDA and CCR specifying the qualifying purposes.

D. Compliance Requirement

Determine whether the funds received by the District, pursuant to the TDA, were expended in conformance with the applicable rules, regulations, and procedures of the SJCOG and were in compliance with the allocation instructions and resolutions.

Findings

The District's fiscal year 2022-23 TDA claim was properly prepared by the District in accordance with SJCOG claim guidelines. Based upon our scanning of District prepared supporting schedules and financial statements that were audited by Brown Armstrong Accountancy Corporation, it appears that the District's expenses were ordinary and necessary to the operation of a public transit system and that the District met the requirements of the SJCOG guidelines.

Conclusion

Funds received by the District pursuant to the TDA were expended in conformance with the applicable rules, regulations, and procedures of the SJCOG and were in compliance with allocation instructions and resolutions.

E. Compliance Requirement

Determine whether interest earned on funds received by the District pursuant to the TDA were expended only for those purposes for which the funds were allocated, in accordance with PUC Section 99301.

Findings

The District maintains cash and investment accounts that bear interest, including amounts held in the County cash and investment pool, which is credited to the cash accounts to ensure it is expended for transit services.

Conclusion

Interest earned by the District was properly expended only for those purposes for which the funds were allocated.

F-H. Compliance Requirement

Verify the amount of the District's operating costs as defined by CCR Section 6611.1, the amount of fare revenues required to meet the ratios specified in CCR Sections 6633.2 and 6633.5, and the amount of the sum of fare revenues and local support required to meet the ratios specified in Section 6633.2 for the fiscal year. Verify the amount of the District's actual fare revenues as defined by CCR Section 6611.2 and PUC Section 99205.7 for the fiscal year. Verify the amount of the District's actual local support as defined by CCR Section 6611.3 for the fiscal year.

Findings

The District is required to maintain certain ratios by SJCOG equal to the ratios in effect during fiscal year 1978-79 according to PUC Section 99268.2, and CCR Sections 6633.2 and 6633.5. However, assembly Bill No. 90 issued on June 29, 2020 by the California Legislature waived the required fare revenue ratio and performance measure requirement for the 2019-20 to 2022-23 fiscal years. For informational purposes, refer to the calculation of fare revenue and local support ratios on page 8.

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Conclusion

This requirement is waived for fiscal year 2022-23, per assembly Bill No.90.

I. Compliance Requirement

Verify the maximum amount the District was eligible to receive under the TDA during the fiscal year in accordance with CCR Sections 6634 and 6649.

Findings

The maximum amount the District was eligible to receive in the fiscal year ended June 30, 2023, is calculated as follows:

Total operating costs:	<u>\$ 43,189,548</u>
Less:	
Fare revenues	(1,370,171)
Special Fares	(845,752)
Local Support	(5,705,481)
Federal Operating Assistance	<u>(8,370,839)</u>
Maximum amount eligible to be received	<u>26,897,305</u>
Total LTF and STA Revenues Received in 2022-23	<u><u>\$ 26,292,525</u></u>

Conclusion

The amount of TDA monies claimed by the District did not exceed the amount it was eligible to receive in accordance with CCR Sections 6634 and 6649.

J. Compliance Requirement

Verify the amount of the operator's expenditure limitation in accordance with CCR Section 6633.1.

Findings

The maximum amount of funds the District was eligible to receive under Article 4 of the TDA is calculated as follows:

	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
2022-23 operating costs per fare revenue ratio calculation	<u>\$ 43,189,548</u>	<u>\$ 12,680,613</u>	<u>\$ 55,870,161</u>
Less:			
Federal grants	8,370,839	9,747,059	18,117,898
State of Good Repair (SGR)	-	186,024	186,024
State transit assistance	<u>175,000</u>	<u>957,292</u>	<u>1,132,292</u>
	<u>\$ 8,545,839</u>	<u>\$ 10,890,375</u>	<u>19,436,214</u>
Excess of operating and capital requirements over federal grants and state transit assistance			<u>36,433,947</u>
50% limitation			<u>18,216,974</u>
Article 4 LTF operating funds received in 2022-23			<u>26,117,525</u>
Article 4 LTF funds subject to 50% limitation			<u>26,117,525</u>
Excess/(Below Limitation) Article 4 LTF funds claimed in 2022-23			<u><u>\$ 7,900,552</u></u>

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Conclusion

The amount of LTF revenues claimed by the District under Article 4 exceeded the amount it was eligible to receive under CCR Section 6633.1. However, the District may be allocated additional funds if it maintains for the fiscal year, the ratio of fare revenues to operating costs. The District is in compliance with Section 99268.2 as stated in procedures f-h above.

K. Compliance Requirement

Determine whether the District's employee retirement system is in conformance with the provisions of PUC Sections 99271, 99272, and 99273.

Findings

The District's private retirement plan is expected to be fully funded over the next 30 years, including ancillary benefits, which is within the 40-year limit required by PUC Section 99271. In accordance with PUC Section 99272, the District hired an actuary to determine the annual cost of future retirement benefits of its employee retirement plan and sets aside and invests funds sufficient to provide for the payment of future retirement benefits annually. The audited financial statements of the District include the total pension liability, plan fiduciary net position, net pension liability, and funding policy adopted to eliminate the net pension liability in the retirement plan in accordance with PUC Section 99273.

Conclusion

The District's retirement plan is in conformance with PUC Sections 99271, 99272, and 99273.

L. Compliance Requirement

Determine whether the District has had a certification by the Department of the California Highway Patrol verifying that the District is in compliance with Section 1808.1 of the Vehicle Code, as required in PUC Section 99251.

Findings

The certification from the Department of the California Highway Patrol indicating that the District is in compliance with Section 1808.1 was completed within thirteen months of the claim.

Conclusion

The District appropriately received its certification from the Department of the California Highway Patrol in accordance with PUC Section 99251.

M. Compliance Requirement

In the case of an operator, verify, if applicable, its STA eligibility pursuant to PUC Section 99314.6 or 99314.7.

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Findings

The Excess Operating Cost Per “Revenue Vehicle” Hour is calculated as follows:

	2023	2022
Revenue Vehicle Hours	\$ 200,976	\$ 167,116
Total Operating Expenses	\$ 43,189,548	\$ 34,378,894
Operating cost per revenue vehicle hour	\$ 215	\$ 206
CPI Change	2.88%	6.37%
Prior Year Operating cost per "revenue vehicle" hour * current year CPI % Change (A)	\$ 6	
Prior Year Operating cost per "revenue vehicle" hour + (A)	\$ 212	
Excess Operating cost per "revenue vehicle" hour	\$ 3	

Conclusion

The District is in compliance with PUC Section 99314.6 or 99314.7.

N. Compliance Requirement

Determine whether the District is in compliance with PUC Sections 99155 and 99155.5 related to the use of reduced fares for elderly and disabled passengers.

Findings

The District has a Discount Fare Card for qualifying personnel regardless of age or condition, elderly, persons with disabilities, and Medicare cardholders. A medical card, Department of Motor Vehicles disabled placard, special disabled license plate and driver’s license, current disabled identification issued by another transit service provider, or the authorization of a licensed doctor serve as proof of disability for the reduced fare. The District provides the same service to all complying persons without regard to where they live or whether there is a car in the household.

Conclusion

The District is in compliance with PUC Sections 99155 and 99155.5.

O. Compliance Requirement

Determine whether the funds received by the District, pursuant to the TDA, were expended in conformance with the applicable rules, regulations, and procedures of the Low Carbon Transit Operation Program (LCTOP Program) and met reporting compliance requirements.

Findings

The District utilized 100% of the LCTOP funding awarded in fiscal year 2021-22 in the amount of \$1,556,856, towards the operations of a new BRT route during fiscal year 2022-23. The BRT route provides service entirely in a disadvantaged and low-income community and provides rapid transit access reducing emissions by implementing zero-emission technology. The District filed the 2023 Project Activity Report and the Closeout Report within the required timeframe.

Conclusion

The District utilized funding towards an allowable activity and filed required reports within the necessary timeline, therefore, is in compliance with LCTOP funding requirements.

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Calculation of Fare Revenue and Local Support Ratios
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	Regular Services		Elderly and Disabled Services
	Fare Revenue Ratio	Fare Revenue and Local Funds Ratio	Fare Revenue and Local Funds Ratio
FARES			
Passenger fares	\$ 1,006,046	\$ 1,006,046	\$ 364,125
Special fares	845,752	845,752	-
TOTAL FARES	1,851,798	1,851,798	364,125
LOCAL FUNDS			
Measure K	-	5,705,481	-
Advertising	-	94,206	-
Non Transportation Revenue	-	1,954,003	-
Local property tax	-	1,368,645	-
TOTAL LOCAL FUNDS	-	9,122,335	-
OTHER LOCAL SUPPORT			
Miscellaneous (TDA-LTF Revenues)	-	26,117,525	-
TOTAL LOCAL FUNDS AND OTHER SUPPORT	-	35,239,860	-
TOTAL FARES AND LOCAL SUPPORT	\$ 1,851,798	\$ 37,091,658	\$ 364,125
OPERATING COSTS			
Labor	\$ 15,807,659	\$ 15,807,659	\$ 382,045
Fringe benefits	11,322,791	11,322,791	259,764
Maintenance/services	4,557,183	4,557,183	433,390
Materials and supplies	3,709,268	3,709,268	155,651
Utilities	1,028,417	1,028,417	36,756
Insurance	1,939,212	1,939,212	-
Taxes	308,909	308,909	-
Purchased transportation	-	-	2,231,667
Miscellaneous	673,178	673,179	116,564
Interest	139,755	139,755	20,051
Lease payments	58,651	58,651	5,366
Other expenses	3,270	3,270	-
TOTAL OPERATING COSTS	\$ 39,548,293	\$ 39,548,294	\$ 3,641,254
Computed fare revenue ratio	4.68% *		
Computed fare revenue and local support ratio		27.75% *	10.00%
Required fare revenue ratio	20.30%	32.00%	10.00%

*A waiver has been issued for the required fare revenue ratio through the 2022-23 fiscal year per assembly Bill No. 90.