



**DuFAST FINAL
PERFORMANCE REVIEW REPORT**

APRIL 2013

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AGENCY PROFILE

Agency Name	DuFAST
Executive Director	Kristen Vida
Governing Board Chairman	Jim Jackson
Year Founded	1974
PennDOT dotGrants Reporting Year	FY 2009-10
Service Area (square miles)	57
Service Area Population	18,378
Fixed-Route Bus	
Vehicles Operated in Maximum Service	4
Annual Revenue Miles of Service	119,819
Annual Revenue Hours of Service	9,398
Annual Passenger Trips	56,325
Employees (full-time/part-time)	7/3
Total Annual Operating Expense	\$522,331
Total Annual Operating Revenues	\$26,724
Total Operating Revenue / Total Operating Cost	5%
Total Admin Cost / Total Operating Cost	36%
Passengers / Revenue Hour*	5.99
Operating Cost / Revenue Hour*	\$55.58
Total Annual Operating Revenue / Revenue Hour*	\$2.84
Operating Cost / Passenger*	\$9.27

Source: PennDOT dotGrants Reporting System

**Denotes Act 44 performance criteria*

NOTE: FY 2004-05 excluded from this report due to embezzlement by a previous Executive Director and Executive Assistant that took place for several years, up to and including FY 2004-05.

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EXECUTIVE SUMMARY

In July 2007 the Pennsylvania General Assembly passed Act 44, establishing a framework for a PennDOT driven transit agency performance review process. The purpose of a review is to assess efficiency and effectiveness of service, financial stability, and general management/business practices. The assessment makes transit agencies aware of improvement opportunities and identifies best practices that can be shared with other transit agencies.

The Act 44 transit performance review of DuBois, Falls Creek, Sandy Township Joint Transportation Authority (doing business as DuFAST) was conducted in June 2012. The performance review considered fixed-route rural bus service. This report addresses Act 44 established performance criteria specifically related to fixed-route bus services – DuFAST trends and a comparison of DuFAST to peers, targets for future performance (performance reviews are conducted on a five-year cycle), and opportunities for improvement which should assist DuFAST in meeting the future targets.

After receipt of this performance review report, DuFAST shall develop an action plan which identifies the steps DuFAST will take to meet the agreed to Act 44 performance criteria targets by FY 2016-17. The general goals are to maximize efficiency and promote cost savings, improve service quality, and increase ridership and revenue. The action plan should focus on the most critical areas for the agency, as prioritized by DuFAST management and its governing board.

A draft action plan is due to the Department within 60 days of receipt of this report. PennDOT will work with DuFAST to agree on a plan which requires DuFAST Board approval to be submitted as the final action plan within 90 days of receipt of this report. DuFAST must report at least quarterly to the governing body and PennDOT on the progress of the strategic action plan, identifying actions taken to date, and actions to be implemented. DuFAST's success will be measured in part on meeting five-year performance targets established through this review (see p. 17).

ACT 44 PERFORMANCE DETERMINATION

Act 44 performance factors were analyzed to quantify DuFAST's fixed-route bus performance in comparison to its peer agencies in FY 2009-10 and over a four year trend period from FY 2005-06 to FY 2009-10. Peers were selected through an analytical process and were agreed to in advance by DuFAST.

A transit agency's performance can fall into two categories: "In Compliance" or "At Risk." The following criteria are used to make the determination:

- In Compliance if within one standard deviation **above** the peer group average in –
 - Single-year and four-year trend for Operating Cost / Revenue Vehicle Hour
 - Single-year and four-year trend for Operating Cost / Passenger

- In Compliance if within one standard deviation **below** the peer group average in –
 - Single-year and four-year trend for Passengers / Revenue Vehicle Hour
 - Single-year and four-year trend for Operating Revenue / Revenue Vehicle Hour

If the agency falls outside of these proscribed boundaries, it is considered "At Risk" for that factor and must improve as agreed upon between PennDOT and the agency.

An analysis of the eight key criteria mandated by Act 44 was conducted and ***it was determined that DuFAST is “In Compliance” for all eight criteria for fixed-route bus service.*** A summary of the specific Act 44 measures and their values are presented in the following table.

Fixed Route Bus						
Performance Criteria		Determination	Rank (of 10)	Comparison to Peer Avg.	Value	Peer Average
Passengers / Revenue Hour	2009-10	In Compliance	7	Worse	5.99	8.85
	Trend	In Compliance	4	Better	0.59%	-0.03%
Operating Cost / Revenue Hour	2009-10	In Compliance	2	Better	\$55.58	\$66.08
	Trend	In Compliance	4	Better	0.32%	2.94%
Operating Revenue / Revenue Hour	2009-10	In Compliance	9	Worse	\$2.84	\$6.41
	Trend	In Compliance	5	Worse	-1.30%	5.48%
Operating Cost / Passenger	2009-10	In Compliance	4	Better	\$9.27	\$9.73
	Trend	In Compliance	3	Better	-0.26%	3.21%

Source: PennDOT dotGrants Reporting System and the National Transit Database (NTD)

DuFAST’s performance was below the peer group average in three of eight criteria. Of particular concern is low ridership per revenue hour as compared to peers and low revenue per revenue hour as compared to peers, leaving DuFAST to rely heavily on subsidies to sustain the operation.

FINANCIAL REVIEW

DuFAST has demonstrated sound fiscal management of its cash flow, with a current liquidity ratio that has averaged slightly over one throughout the last six years. DuFAST is in sound financial condition given its six-year trend of year-end cash reserves, no debt and no unfunded liabilities. Issues to focus on in the future include remedying the audit finding of not preparing its own financial statements, securing local capital matching contributions and actively managing cash flow, as PennDOT continues to direct DuFAST to use reserve funds in lieu of providing new grant funds.

FUNCTIONAL REVIEW FINDINGS

In addition to the macro-level evaluation of DuFAST with regard to the eight Act 44 measures, a functional evaluation of the system was performed to provide more insight into the system. The performance evaluation consisted of additional document reviews, an on-site review, and interviews with key staff.

In accordance with Act 44, observations are categorized as “opportunities for improvement” or “best practices.” Opportunities for improvement identify strategies or approaches that may increase the efficiency, effectiveness, and/or quality of service of the agency as well as general management. Best practices are current practices that have a significantly positive impact on efficiency, effectiveness, and/or quality of service and should be shared with other agencies.

Major themes have been developed from specific opportunities for improvement identified for DuFAST. These themes represent critical issues that, if remedied, will provide the most impact on DuFAST's performance. Actions to address these themes should be prioritized by DuFAST, and should guide the development of the action plan required by Act 44, detailed below.

BEST PRACTICES

1. **Cost containment practices** – DuFAST has managed to keep its costs relatively flat over the last five years, in contrast with industry averages of over 3% growth in costs per year.
2. **Route level data analysis** – DuFAST has done excellent job collecting route level data and reporting the information to the Governing Board.
3. **Vision, Mission and high-level goals** – DuFAST has an established vision, mission, and strategic goals for the agency for a period of five-years. This is a best practice, particularly given the size of the organization.

OVERARCHING THEMES

1. **Performance based management and data-based decision making** – Decision making at DuFAST should be based on meeting the prescribed strategic goals and objectives established by the Governing Board and management. DuFAST has done an excellent job of implementing route-level service data. Using the route-level data, DuFAST should base decisions on meeting measurable performance metrics to support the vision, mission, and strategic goals and objectives established by the agency.
2. **Low revenue** – DuFAST's revenue intake per revenue hour is low compared to peer systems and industry averages. Possible reasons for this may include the lack of formal fare review, particularly for the "Econo Pass," the Loop route, and Sunday service. High levels of discounted senior riders may also be contributing to the low revenues.
3. **Low ridership** – Ridership per revenue hour on the DuFAST system is low when compared to agency peers and has been trending downward in recent years. Low ridership leads to depressed revenue and leaves the system particularly reliant on public subsidies. While steps have been taken to change and introduce new routes to improve ridership and better serve the community, overall the system continues to decline.
4. **Financial Oversight** – Given the financial troubles the organization has experienced over the past decade due to employee theft by the previous manager and her assistant, DuFAST should be extremely sensitive to financial oversight throughout the organization. DuFAST should not be using the same auditing firm to keep their financial books, but rather should have a separate accounting firm with the agency on bookkeeping. Furthermore, DuFAST does not have an established fare handling policy and the procedure that is followed currently presents a financial oversight problem. Finally, having a board member that works for the bank that DuFAST does banking with could be seen as a potential conflict of interest and should be addressed.

FIVE-YEAR PERFORMANCE STANDARDS

In addition to assessing performance trends and comparing performance to peers, Act 44 requires the establishment of performance targets to guide agencies in improving cost recovery, cost containment, revenue, and productivity (page 17).

Performance targets for FY 2016-17 were extrapolated from historical data analyzed during the four-year trend analysis and are designed to be aggressive, yet achievable.

Performance Criteria	FY 2009-10 Value	FY 2010-11 Value	FY 2016-17 Standard	Annual Increase
Passengers / Revenue Hour	5.99	5.50	6.56	3.0%
Operating Cost / Revenue Hour	\$55.58	\$53.56	\$63.95	3.0%
Operating Revenue / Revenue Hour	\$2.84	\$2.69	\$3.60	5.0%
Operating Cost / Passenger	\$9.27	\$9.75	\$9.75	0.0%

Source: PennDOT dotGrants Reporting System

NEXT STEPS

Upon final transmission of the performance review report, Act 44 regulations stipulate that DuFAST "...shall develop and submit to the Department within 90 days...a strategic action plan that focuses on continually improving the system to achieve the established minimum performance targets." The action plan should outline corrective actions that will be taken to address "Opportunities for Improvement" – as prioritized by the DuFAST Board and management.

Functional area "opportunities for improvement" are areas in which improvement may result in cost savings, improved service quality, and ridership and/or revenue increases. Improvements in these areas will assist in the achievement of the performance targets by directly addressing areas that affect Act 44 performance criteria. It should be noted that many functional areas are interrelated, and the action plan should establish a comprehensive program that focuses on actions that address the larger issues within DuFAST.

The template for the Action Plan has been provided as an Appendix to this report (pp. 31-36). This template includes three parts:

- **Part 1 - Executive Summary Themes for Improvement Template** (p. 31) is where DuFAST should address its proposed actions to address the "Overarching Themes" in the Executive Summary (p. vii).
- **Part 2- Act 44 Performance Metric Observations Templates** (pp. 33-35) is where DuFAST should address its proposed actions to address the "Opportunities for Improvement" that directly affect the Act 44 performance metrics (pp. 22-25).
- **Part 3- Other Actions to Improve Overall Performance Template** (p. 36) should be used to address the "Opportunities for Improvement" identified starting on p. 25. Management should use the format provided in Appendix A to develop its proposed draft Action Plan.

It should be noted that specific actions identified may partially address the broadly noted opportunities for improvement found in the **“Overarching”** (p.vii). Some actions will be quickly implementable while others may take several discrete steps to achieve over a longer period of time. The template provides a simple-to-follow order of key opportunities for improvement. DuFAST must select, prioritize, and schedule its intended actions using the template.

DuFAST must submit the proposed draft Action Plan using the format provided in **Appendix A: Action Plan Improvement Strategies** to the Department for comment. The proposed draft Action Plan may then be revised based on consultation between DuFAST management and the Department. The finalized Action Plan then must be approved by the DuFAST Governing Board and formally submitted to PennDOT. Subsequently, DuFAST management must report at least quarterly to the governing body and the Department on progress towards accomplishing the Action Plan including actions taken in the previous quarter and actions planned for coming quarter(s).

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INTRODUCTION

PURPOSE

In July 2007 the Pennsylvania General Assembly passed Act 44, establishing a framework for a performance review process for all public transportation agencies receiving state financial assistance. This report documents the findings and observations of the public transportation agency performance review for DuBois, Falls Creek, Sandy Township Joint Transportation Authority (doing business as DuFAST).

Performance reviews are conducted to emphasize the importance of good management, proactive planning, and efficient service, which maximize the effectiveness of federal, state, and local funding. In addition, other important goals of the review process and this document are to:

- Find, document, and publicize best practices that contribute to efficient, high-quality public transit service delivery, encouraging other Pennsylvania transit agencies to apply them as appropriate.
- Provide guidance to transit agencies on cost-effective ways to improve efficiency, effectiveness, and quality of service.
- Identify and document legal, institutional, or other barriers beyond the control of the transit agency that may impede efficiency in service delivery and management.

PERFORMANCE REVIEW PROCESS

In June 2012, a transit agency performance review was initiated for DuFAST. The performance review proceeded following the steps outlined below:

1. Initial notification of performance review selection and transmission of document request
 - Review of available data and requests for what should be “off-the-shelf” information that may not be publicly available.
2. Peer selection
 - A set of peers used for comparative analysis was jointly agreed upon by DuFAST and PennDOT.
3. Act 44 performance criteria analysis
 - Performance criteria mandated by Act 44 were analyzed for the peer group.
 - Additional performance criteria were calculated for informative purposes to help guide the on-site review.
4. On-site review
 - On-site review was conducted on June 6 and June 7, 2012.
 - An interview guide customized for DuFAST’s service was used for the review.
 - Topics covered during the interview process included:
 - Governance
 - Advisory Committees
 - Management
 - Human/Labor Relations
 - Finance
 - Procurement
 - Operations and Scheduling
 - Maintenance
 - Safety and Security
 - Customer Service
 - Information Technology
 - Capital Programming
 - Marketing and Public Relations
 - Planning

AGENCY DESCRIPTION

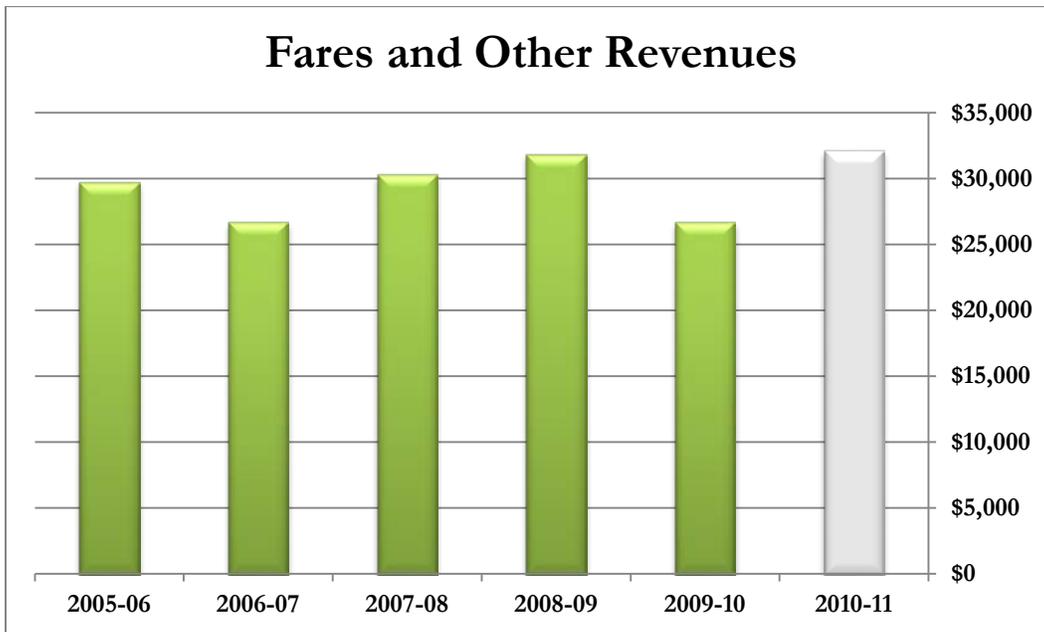
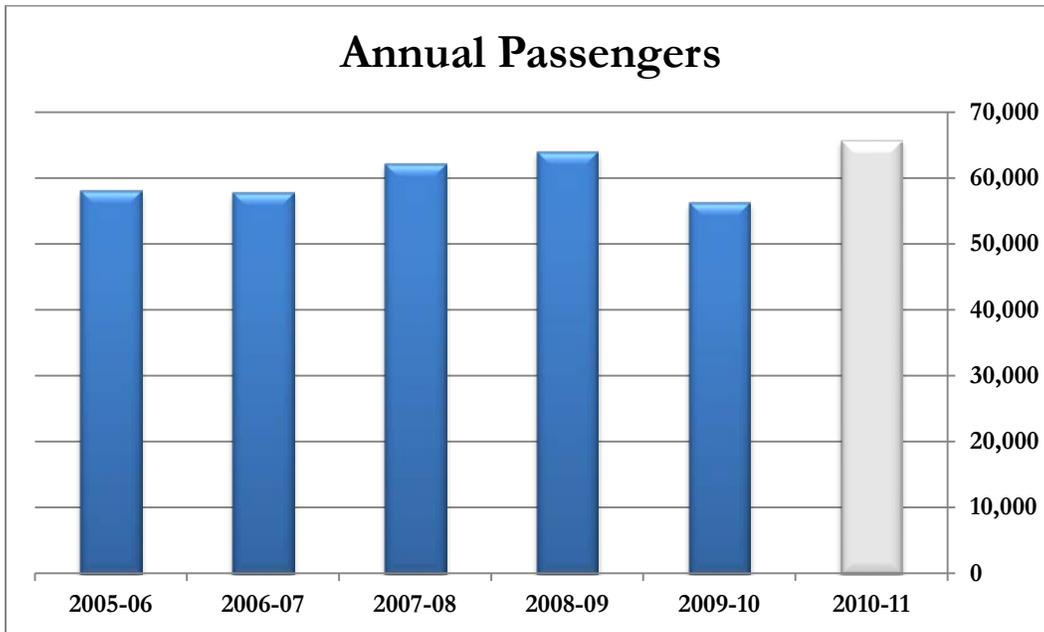
The DuBois, Falls Creek, Sandy Township Joint Transportation Authority (doing business as DuFAST) was created by the City of DuBois, Clearfield County; the Borough of Falls Creek, Jefferson County; and the Township of Sandy, Clearfield County in January 1974 under the Municipal Authorities Act of 1945.

DuFAST's fixed-route system consists of four bus routes serving the municipalities that are incorporated. **Exhibit 1** and **Exhibit 2** present fixed-route bus statistics for DuFAST derived from PennDOT Legacy Reports (dotGrants). Although inconsistent with the previous five-year analysis requirements of Act 44, findings are presented for Fiscal Years (FY) 2005-06 – 2009-10 data due to the embezzlement that took place during years prior to FY 2005-06. In developing the performance targets with a FY 2016-17 horizon, FY 2010-11 data from dotGrants was used (comparable information is unavailable for the peer group).

Important observations evident from the trends in demand, revenues, and operating characteristics for the reporting period of FY 2005-06 through FY 2010-11 are:

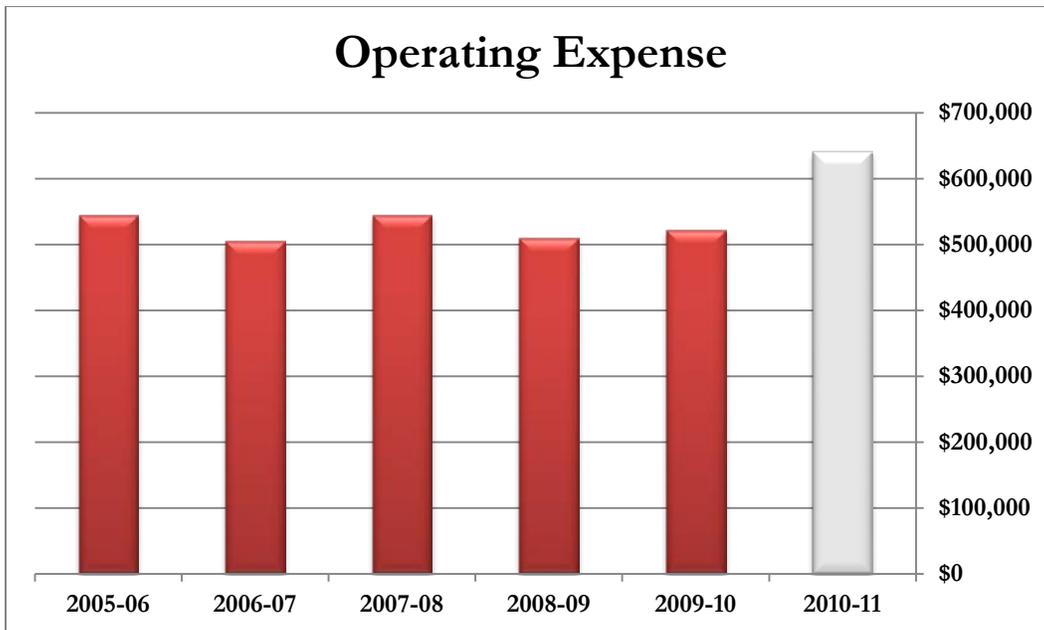
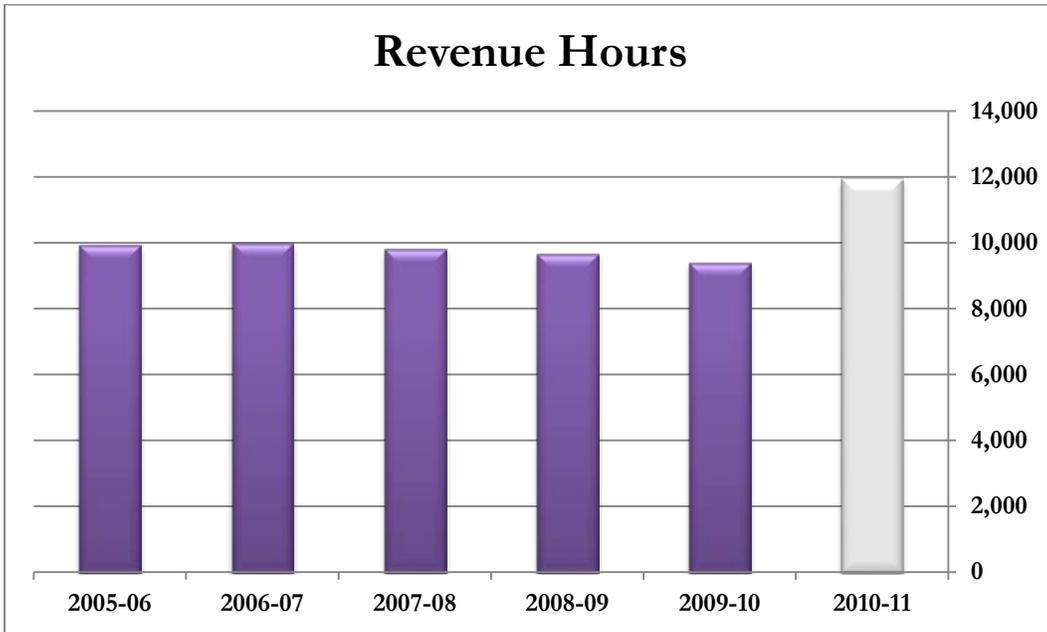
- Fixed-route ridership has been relatively static over the period.
- Operating expense remained relatively flat per revenue hour of service.
- DuFAST's revenue recovery ratio on fixed-route service is very low for an agency of this size at approximately 5%.
- Service levels and fleet requirements remained fairly constant, with the exception of a moderate service increase in FY 2010-11.

Exhibit 1: DuFAST Fixed-Route Passenger and Revenues FY 2005-06 – FY 2010-11



Source: PennDOT dotGrants Reporting System
Note: FY 2010-11 Data is included for informational purposes only

Exhibit 2: DuFAST Fixed-Route Revenue Hours of Service and Operating Costs FY 2005-06 – FY 2010-11



Source: PennDOT dotGrants Reporting System
Note: FY 2010-11 Data is included for informational purposes only

ACT 44 PERFORMANCE ASSESSMENT

Act 44 establishes the framework for a performance review process as follows:

“The Department may conduct performance reviews of an award recipient under this section to determine the effectiveness of the financial assistance. Reviews shall be conducted at regular intervals as established by the Department in consultation with the management of the award recipient. After completion of a review, the Department shall issue a report that: highlights exceptional performance and identifies any problems that need to be resolved; assesses performance, efficiency, and effectiveness of the use of the financial assistance; makes recommendations on follow-up actions required to remedy any problem identified...”¹

The law sets forth performance criteria to be used to satisfy its objectives:²

- Passengers per revenue vehicle hour
- Operating cost per revenue vehicle hour
- Operating revenue per revenue vehicle hour
- Operating cost per passenger, and
- Other items as the Department may establish

Performance criteria are to be compared for both the system being reviewed and for a group of five or more peers by mode, determined by considering:³

- Revenue vehicle hours (car hours for rail and fixed guideway)
- Revenue vehicle miles (car miles for rail and fixed guideway)
- Number of peak vehicles
- Service area population

The law further instructs PennDOT to prepare a trend analysis for the local transportation organization under review and the peer systems by performance criteria and by mode, and make a determination of “In Compliance” or “At Risk” status based on findings.

PEER SYSTEM SELECTION

The following list was submitted to DuFAST management for review and comment. All 9 peer systems, in addition to DuFAST, were included in subsequent analyses for peer comparison purposes:

- MID County Transit (Kittanning, PA)
- Brunswick Transit Alternative (Brunswick, OH)
- Hernando County Board of County Commissioners (Brooksville, FL)
- Fayette Area Coordinated Transportation (Lemont Furnace, PA)
- Village of Spring Valley Bus (Spring Valley, NY)

¹ Title 74 Pa. C.S.A. §1513 (e)

² Title 74 Pa. C.S.A. §1513 (f)

³ 67 Pa Code Chapter 427, Annex A . §427.12(d)(1)(i), Jan 2011.

- City of Loveland Transit (Loveland, CO)
- City of Middletown – Middletown Transit System (Middletown, OH)
- Shenango Valley Shuttle Service (Hermitage, PA)
- Transit Authority of Warren County (Warren, PA)

ACT 44 FIXED-ROUTE COMPARISONS AND FINDINGS

DuFAST was compared to the selected peer systems using two different sources of data depending on system type and location:

- National Transit Database (NTD)
 - All transit systems that receive federal funding as an urban operating system must report to NTD.
- dotGrants
 - All Pennsylvania systems are required to report to PennDOT’s dotGrants system.

Public transportation providers are organized into two categories—urban and rural—based largely on service area characteristics as determined by the U.S. Census. Urban transportation organizations receive funding directly from the Federal Transit Administration (FTA) and as a condition of funding must report financial, operating, and other statistics to the National Transit Database (NTD) if qualified by FTA regulations. Rural transportation providers such as DuFAST do not submit information directly to NTD. As a result, there is a significant lack of reliable operating statistics for rural systems.

Rural transportation organizations vary widely in service characteristics based on local transportation demands. In Pennsylvania alone, the smallest rural transit agency operates one fixed-route vehicle in maximum operations, while the largest operates 26 vehicles. This wide variance in transportation provided indicates that there are few comparable Pennsylvania rural peers. For this reason, the Act 44 analysis of DuFAST supplements rural peers with urban transportation systems that closely match DuFAST in operating characteristics.

For all Pennsylvania rural peers and DuFAST, dotGrants data was used. For all other systems, NTD data was used for comparison purposes. NTD and dotGrants definitions and reporting statistics are identical and the data is comparable for the four-year trend analysis window for:

- Passengers per revenue vehicle hour
- Operating cost per revenue vehicle hour
- Operating revenue per revenue vehicle hour
- Operating cost per passenger

The definition of the variables used in the calculations is as follows:

- Passengers: Annual unlinked passenger boardings by mode for both directly-operated and purchased transportation.
- Operating Costs: Annual operating cost of services (excluding capital costs) by mode for both directly-operated and purchased transportation.
- Operating Revenue: Total annual operating revenue generated from farebox and other non-state, non-federal sources by mode for both directly-operated and purchased transportation.

- Revenue Vehicle Hours: The total annual number of “in-service” hours of service by mode for both directly-operated and purchased transportation.
- Average: Unweighted linear average of all values being measured across all peer transit agencies, including DuFAST.
- Standard Deviation: Standard deviation of all values being measured across all peer transit agencies, including DuFAST.

Act 44 stipulates that performance metrics be assessed as either “In Compliance” or “At Risk.” The following criteria are used to make the determination:

- In Compliance if within one standard deviation **above** the peer group average for –
 - Single-year and four-year trend for Operating Cost / Revenue Vehicle Hour
 - Single-year and four-year trend for Operating Cost / Passenger
- In Compliance if within one standard deviation **below** the peer group average for –
 - Single-year and four-year trend for Passengers / Revenue Vehicle Hour
 - Single-year and four-year trend for Operating Revenue / Revenue Vehicle Hour

If the agency falls outside of any of the boundaries, it is considered “At Risk” for that criteria and must create an action plan to bring the criteria into compliance prior to the next performance review.

Detailed results of the DuFAST analysis and the peer analysis are presented in the **Fixed-Route Bus Performance Comparisons** section below and can be summarized as follows:

Exhibit 3: Act 44 Compliance Summary

Metric	FY 2009-10 Single Year	Four-year Trend
Passengers / Revenue Hour	In Compliance	In Compliance
Operating Cost / Revenue Hour	In Compliance	In Compliance
Operating Revenue / Revenue Hour	In Compliance	In Compliance
Operating Cost / Passenger Boarding	In Compliance	In Compliance

FIXED-ROUTE BUS PERFORMANCE COMPARISONS

For the nine peer systems plus DuFAST, NTD data were extracted and summarized for each of the required Act 44 metrics. Measures were put into histograms and tables for visual inspection, statistical analyses, and ordinal ranking purposes. The single-year results of these analyses are presented in **Exhibit 4, Exhibit 5, Exhibit 6, and Exhibit 7**. Four-year trend analyses are presented in **Exhibit 8, Exhibit 9, Exhibit 10, and Exhibit 11**.

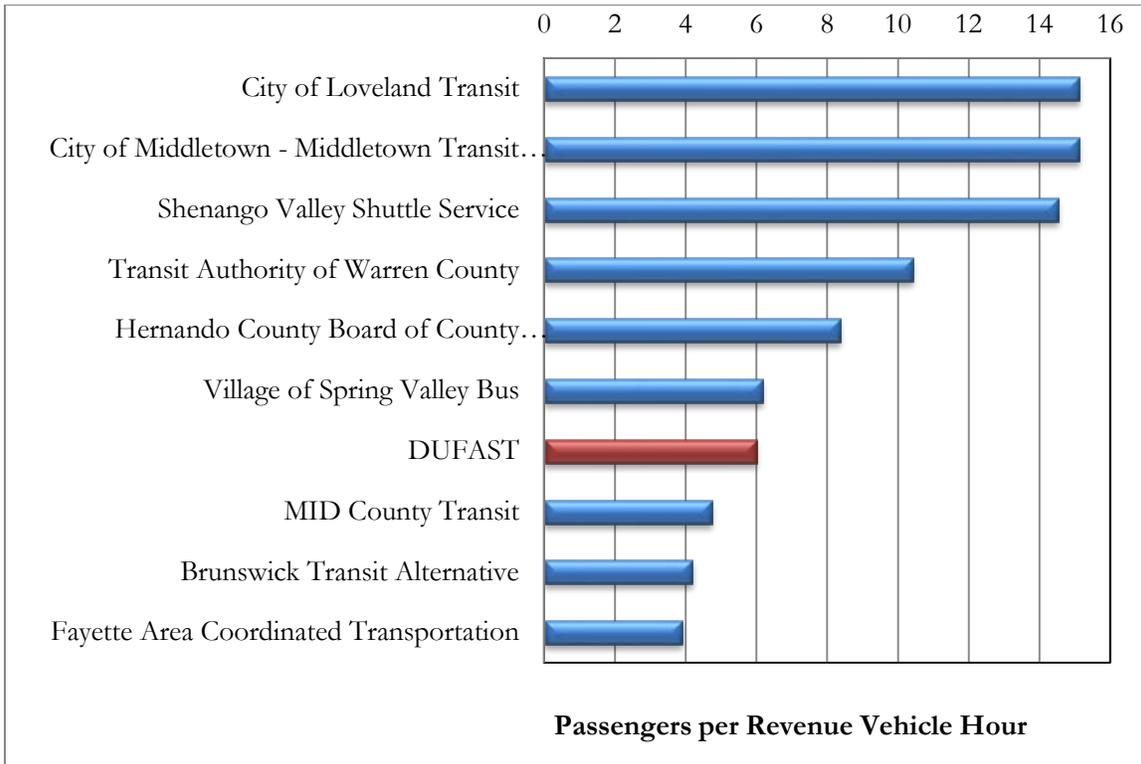
For measures relating to passengers or operating revenue, ordinal rankings are based on a highest-to-lowest system. For measures relating to operating cost, ordinal rankings are based on a lowest-to-highest system. Thus a ranking of “1st” consistently indicates that the agency scores best amongst its peers and a ranking of “10th” indicates that it performs the poorest on any given metric.

The findings presented in the exhibits can be summarized as follows:

- DuFAST's FY 2009-10 passengers per revenue hour figure ranks 7th out of the 10 transit agencies in the peer group, and is worse than the peer group average. Passengers per revenue hour have seen slight growth, remaining relatively stagnant over the last four years, while the peer group average saw a decline.
- DuFAST's FY 2009-10 operating cost per revenue vehicle hour has remained relatively constant, ranking 2nd least costly, and increasing by less than 10% of the peer group average.
- DuFAST's FY 2009-10 operating revenue per revenue vehicle hour ranks 9th out of 10 and is worse than the peer group average. The four year trend indicates that revenue has decreased by \$0.16, while the peer group revenue per revenue hour of service has grown by \$1.30.
- DuFAST performs the 4th best of the 10 peers based on FY 2009-10 operating cost per passenger, and the trend is declining- yielding better performance than that of the peer group. A low rate of cost increase along with slightly improving passengers per revenue hour of service combine to yield this result.

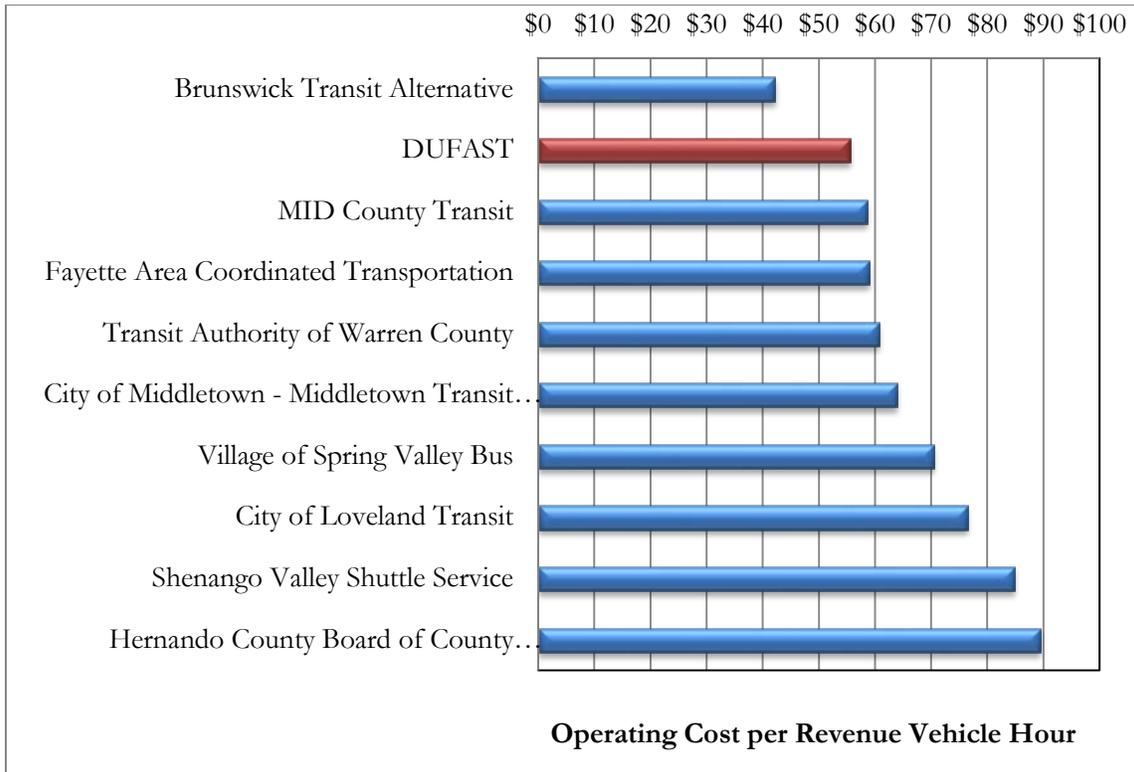
These observations provided a basis for further investigation during the on-site interviews and functional area reviews. Those observations are presented in the next section of the report.

Exhibit 4: Fixed-Route Passengers per Revenue Vehicle Hour FY 2009-10



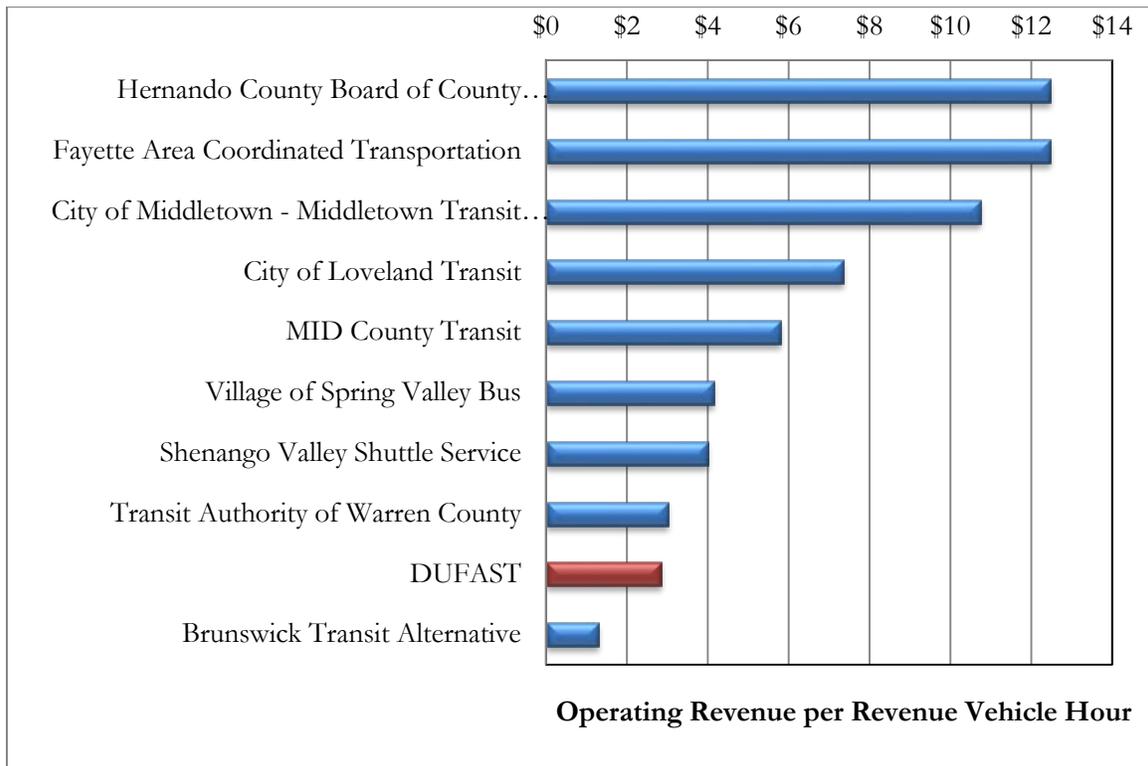
Passengers / RVH		
System	Value	Rank
City of Loveland Transit	15.11	1
City of Middletown - Middletown Transit System	15.11	1
Shenango Valley Shuttle Service	14.52	3
Transit Authority of Warren County	10.42	4
Hernando County Board of County Commissioners	8.37	5
Village of Spring Valley Bus	6.17	6
DUFAST	5.99	7
MID County Transit	4.73	8
Brunswick Transit Alternative	4.19	9
Fayette Area Coordinated Transportation	3.88	10
<i>Average</i>	8.85	
<i>Standard Deviation</i>	4.62	
<i>Average - 1 Standard Deviation</i>	4.23	
<i>Average + 1 Standard Deviation</i>	13.47	
In Compliance with Act 44 Standard Deviation Requirements	Yes	
Better or Worse Than Peer Group Average	Worse	

Exhibit 5: Fixed-Route Operating Cost per Revenue Vehicle Hour FY 2009-10



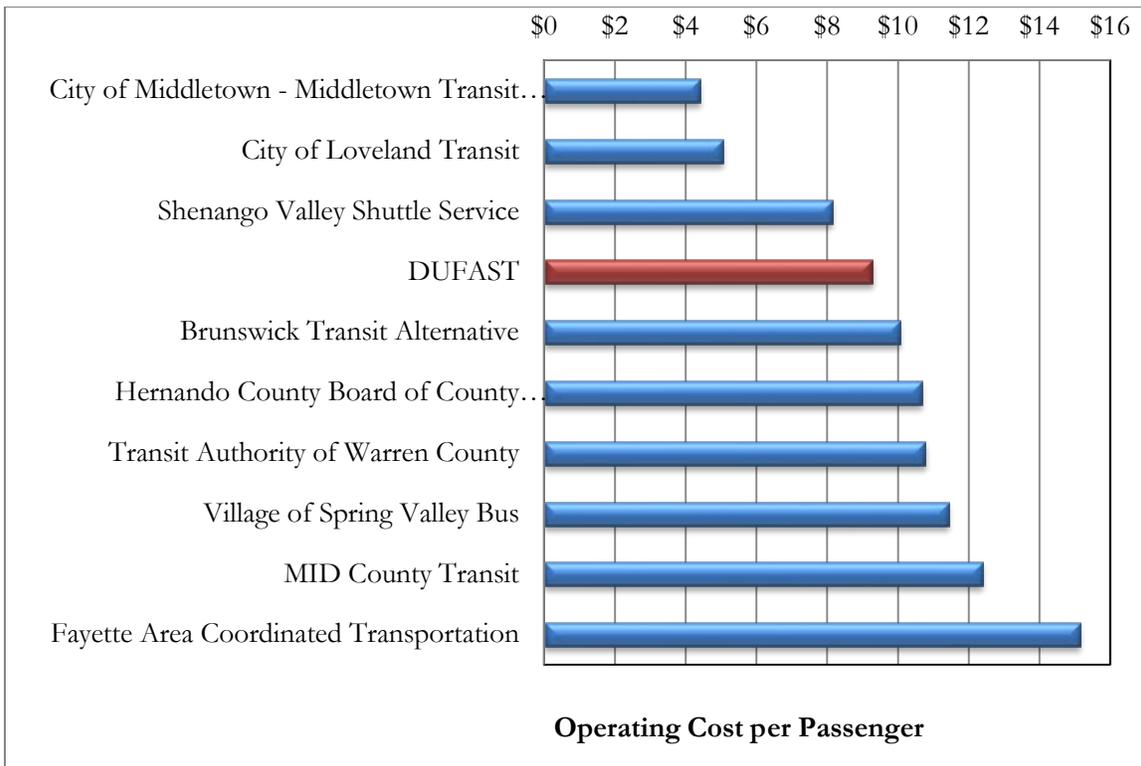
Operating Cost / RVH		
System	Value	Rank
Brunswick Transit Alternative	\$42.16	1
DUFAS	\$55.58	2
MID County Transit	\$58.57	3
Fayette Area Coordinated Transportation	\$58.83	4
Transit Authority of Warren County	\$60.72	5
City of Middletown - Middletown Transit System	\$63.91	6
Village of Spring Valley Bus	\$70.44	7
City of Loveland Transit	\$76.42	8
Shenango Valley Shuttle Service	\$84.84	9
Hernando County Board of County Commissioners	\$89.36	10
<i>Average</i>	\$66.08	
<i>Standard Deviation</i>	\$14.32	
<i>Average – 1 Standard Deviation</i>	\$51.77	
<i>Average + 1 Standard Deviation</i>	\$80.40	
In Compliance with Act 44 Standard Deviation Requirements	Yes	
Better or Worse Than Peer Group Average	Better	

Exhibit 6: Fixed-Route Operating Revenue per Revenue Vehicle Hour FY 2009-10



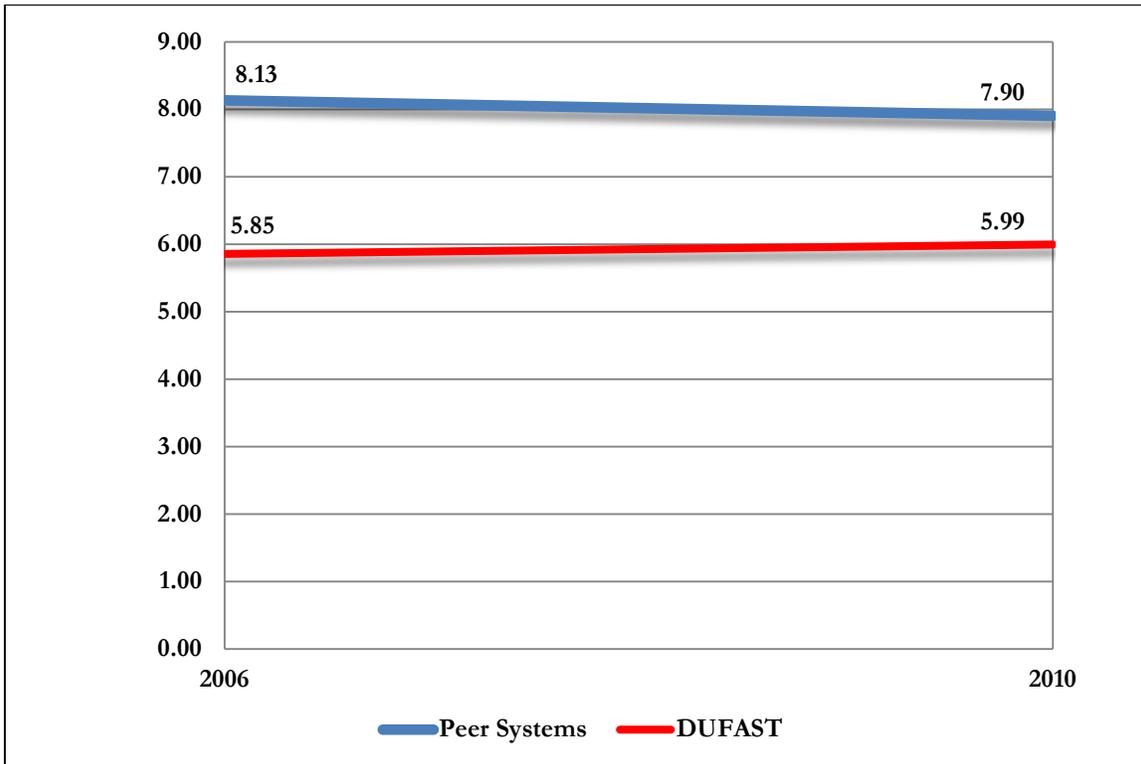
Operating Revenue / RVH		
System	Value	Rank
Hernando County Board of County Commissioners	\$12.47	1
Fayette Area Coordinated Transportation	\$12.47	2
City of Middletown - Middletown Transit System	\$10.74	3
City of Loveland Transit	\$7.34	4
MID County Transit	\$5.80	5
Village of Spring Valley Bus	\$4.14	6
Shenango Valley Shuttle Service	\$3.99	7
Transit Authority of Warren County	\$3.01	8
DUFAS	\$2.84	9
Brunswick Transit Alternative	\$1.28	10
<i>Average</i>	<i>\$6.41</i>	
<i>Standard Deviation</i>	<i>\$4.15</i>	
<i>Average - 1 Standard Deviation</i>	<i>\$2.26</i>	
<i>Average + 1 Standard Deviation</i>	<i>\$10.56</i>	
In Compliance with Act 44 Standard Deviation Requirements	Yes	
Better or Worse Than Peer Group Average	Worse	

Exhibit 7: Fixed-Route Operating Cost per Passenger FY 2009-10



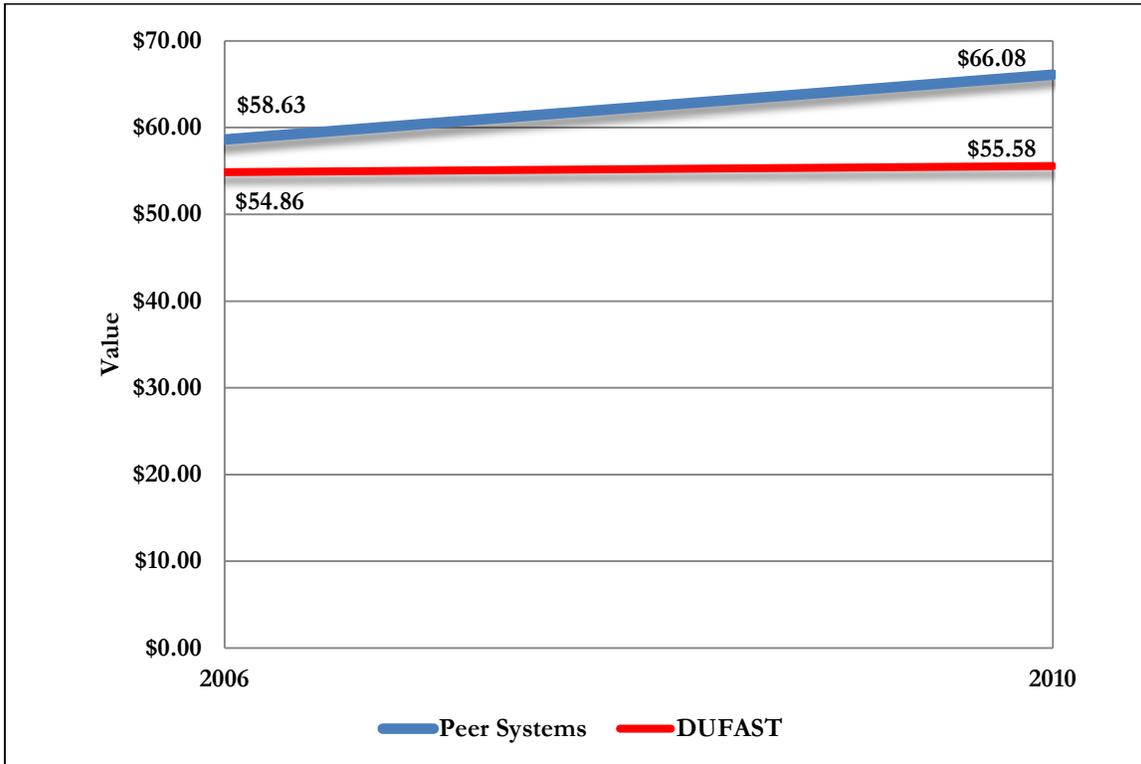
Operating Cost / Passenger		
System	Value	Rank
City of Middletown - Middletown Transit System	\$4.40	1
City of Loveland Transit	\$5.06	2
Shenango Valley Shuttle Service	\$8.14	3
DUFAST	\$9.27	4
Brunswick Transit Alternative	\$10.06	5
Hernando County Board of County Commissioners	\$10.68	6
Transit Authority of Warren County	\$10.77	7
Village of Spring Valley Bus	\$11.42	8
MID County Transit	\$12.39	9
Fayette Area Coordinated Transportation	\$15.14	10
<i>Average</i>	<i>\$9.73</i>	
<i>Standard Deviation</i>	<i>\$3.24</i>	
<i>Average - 1 Standard Deviation</i>	<i>\$6.50</i>	
<i>Average + 1 Standard Deviation</i>	<i>\$12.97</i>	
In Compliance with Act 44 Standard Deviation Requirements	Yes	
Better or Worse Than Peer Group Average	Better	

Exhibit 8: Fixed-Route Passengers per Revenue Vehicle Hour Trend FY 2005-06 – FY 2009-10



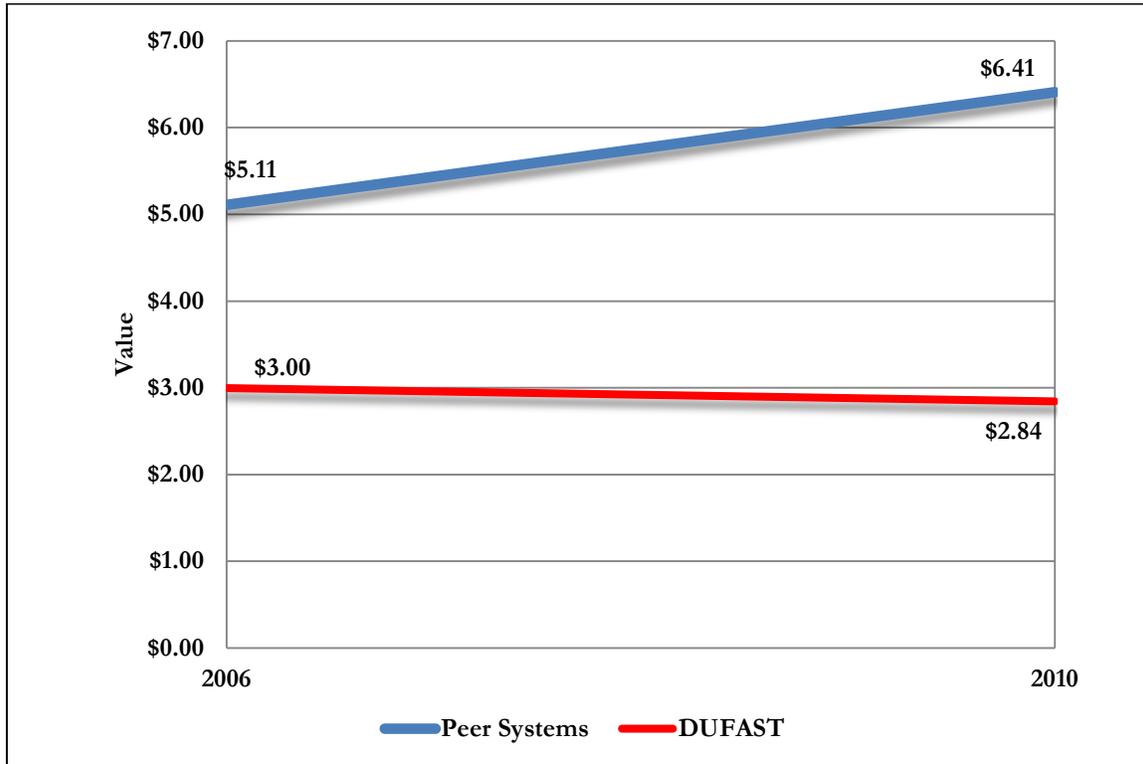
Passengers / RVH		
System	Value	Rank
Village of Spring Valley Bus	7.40%	1
Brunswick Transit Alternative	4.95%	2
City of Loveland Transit	2.42%	3
DUFAST	0.59%	4
MID County Transit	-0.38%	5
Hernando County Board of County Commissioners	-1.77%	6
Shenango Valley Shuttle Service	-2.72%	7
Fayette Area Coordinated Transportation	-2.77%	8
Transit Authority of Warren County	-3.79%	9
City of Middletown - Middletown Transit System	-4.23%	10
<i>Average</i>	-0.03%	
<i>Standard Deviation</i>	3.89%	
<i>Average – 1 Standard Deviation</i>	-3.92%	
<i>Average + 1 Standard Deviation</i>	3.86%	
In Compliance with Act 44 Standard Deviation Requirements	Yes	
Better or Worse Than Peer Group Average	Better	

Exhibit 9: Fixed-Route Operating Cost per Revenue Vehicle Hour Trend FY 2005-06 – FY 2009-10



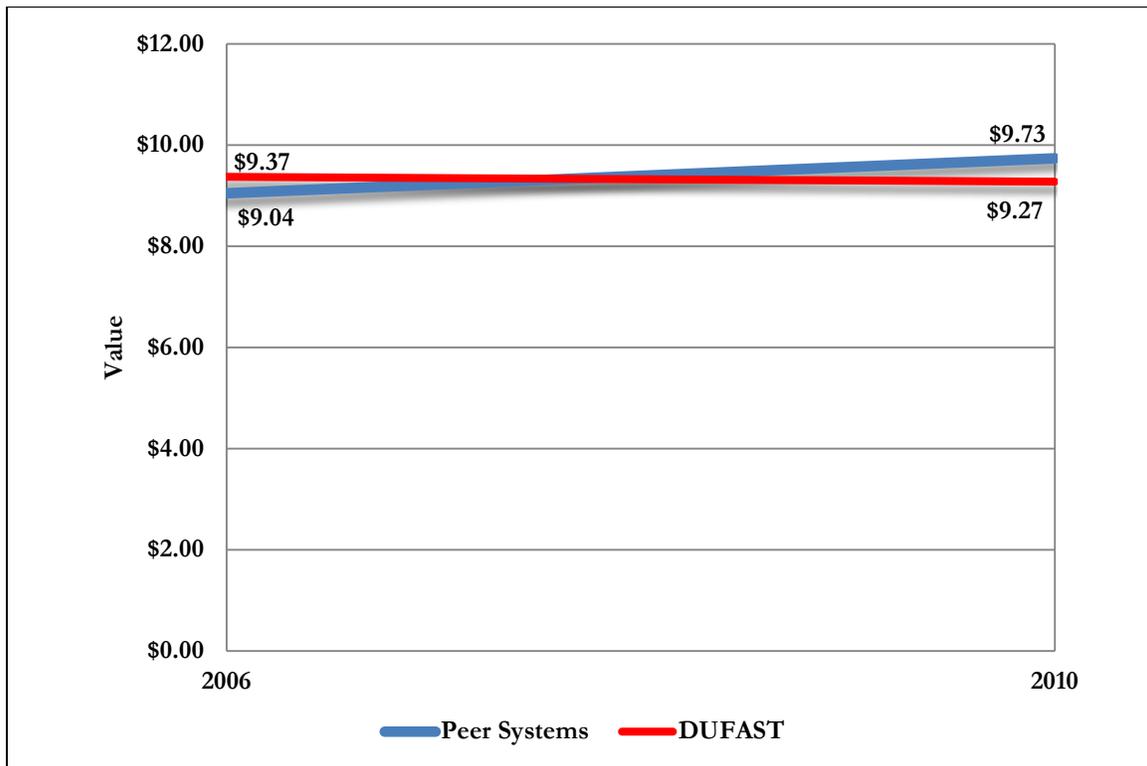
Operating Cost / RVH		
System	Value	Rank
Brunswick Transit Alternative	-4.35%	1
Village of Spring Valley Bus	-1.32%	2
MID County Transit	-0.36%	3
DUFAS	0.32%	4
City of Middletown - Middletown Transit System	2.01%	5
Transit Authority of Warren County	3.43%	6
City of Loveland Transit	4.51%	7
Shenango Valley Shuttle Service	4.54%	8
Hernando County Board of County Commissioners	10.10%	9
Fayette Area Coordinated Transportation	10.54%	10
<i>Average</i>	2.94%	
<i>Standard Deviation</i>	4.76%	
<i>Average – 1 Standard Deviation</i>	-1.82%	
<i>Average + 1 Standard Deviation</i>	7.71%	
In Compliance with Act 44 Standard Deviation Requirements	Yes	
Better or Worse Than Peer Group Average	Better	

Exhibit 10: Fixed-Route Operating Revenue per Revenue Vehicle Hour Trend FY 2005-06 – FY 2009-10



Operating Revenue / RVH		
System	Value	Rank
Hernando County Board of County Commissioners	51.55%	1
Fayette Area Coordinated Transportation	32.51%	2
City of Middletown - Middletown Transit System	9.78%	3
Brunswick Transit Alternative	0.39%	4
DUFAS	-1.30%	5
Village of Spring Valley Bus	-2.97%	6
City of Loveland Transit	-4.82%	7
MID County Transit	-7.62%	8
Transit Authority of Warren County	-10.06%	9
Shenango Valley Shuttle Service	-12.65%	10
<i>Average</i>	5.48%	
<i>Standard Deviation</i>	20.72%	
<i>Average – 1 Standard Deviation</i>	-15.24%	
<i>Average + 1 Standard Deviation</i>	26.20%	
In Compliance with Act 44 Standard Deviation Requirements	Yes	
Better or Worse Than Peer Group Average	Worse	

Exhibit 11: Fixed-Route Operating Costs per Passenger Trend FY 2005-06 – FY 2009-10



Operating Cost / Passenger		
System	Value	Rank
Brunswick Transit Alternative	-8.86%	1
Village of Spring Valley Bus	-8.11%	2
DUFAS	-0.26%	3
MID County Transit	0.02%	4
City of Loveland Transit	2.04%	5
City of Middletown - Middletown Transit System	6.51%	6
Shenango Valley Shuttle Service	7.47%	7
Transit Authority of Warren County	7.50%	8
Hernando County Board of County Commissioners	12.08%	9
Fayette Area Coordinated Transportation	13.69%	10
<i>Average</i>	3.21%	
<i>Standard Deviation</i>	7.70%	
<i>Average – 1 Standard Deviation</i>	-4.49%	
<i>Average + 1 Standard Deviation</i>	10.91%	
In Compliance with Act 44 Standard Deviation Requirements	Yes	
Better or Worse Than Peer Group Average	Better	

FIVE-YEAR FIXED-ROUTE PERFORMANCE STANDARDS

Act 44 requires that PennDOT and local transit agencies establish five (5) year performance targets for each of the four core metrics defined by the law:

- Passengers / Revenue Hour
- Operating Cost / Revenue Hour
- Operating Revenue / Revenue Hour
- Operating Cost / Passenger

These metrics are intended to improve both the effectiveness and efficiency of service delivery. PennDOT uses the most recent audited and agency-verified values for passengers, operating costs and operating revenues by mode as the “baseline” from which to develop the targets. Five year targets are then developed based on realistic and achievable expectations of improvement.

Passengers / Revenue Hour is a measure of effectiveness of transit service. All else equal, passengers may increase due to successful marketing, customer service, improved route planning and natural growth. Declines in passengers per revenue hour can occur in spite of overall ridership increases due to the introduction of relatively inefficient service. Substantial improvements can be realized through the reduction of relatively inefficient services.

Typically PennDOT suggests a minimum targeted increase of 2% per year in passengers / revenue hour of service. This target is recommended as a) it is consistent with historic trends statewide, b) it is achievable, and, c) it encourages agencies to better match service delivery with customer needs. DuFAST’s is set at 3%, as it needs to be more aggressive in attracting new riders, as ridership is low for an agency of its size.

Operating Cost / Revenue Hour quantifies the efficiency of service delivery. To some extent, costs are managed through good governance, proactive management and effective cost containment. PennDOT suggests a target of no more than 3% per year increase in operating cost / revenue hour of service.

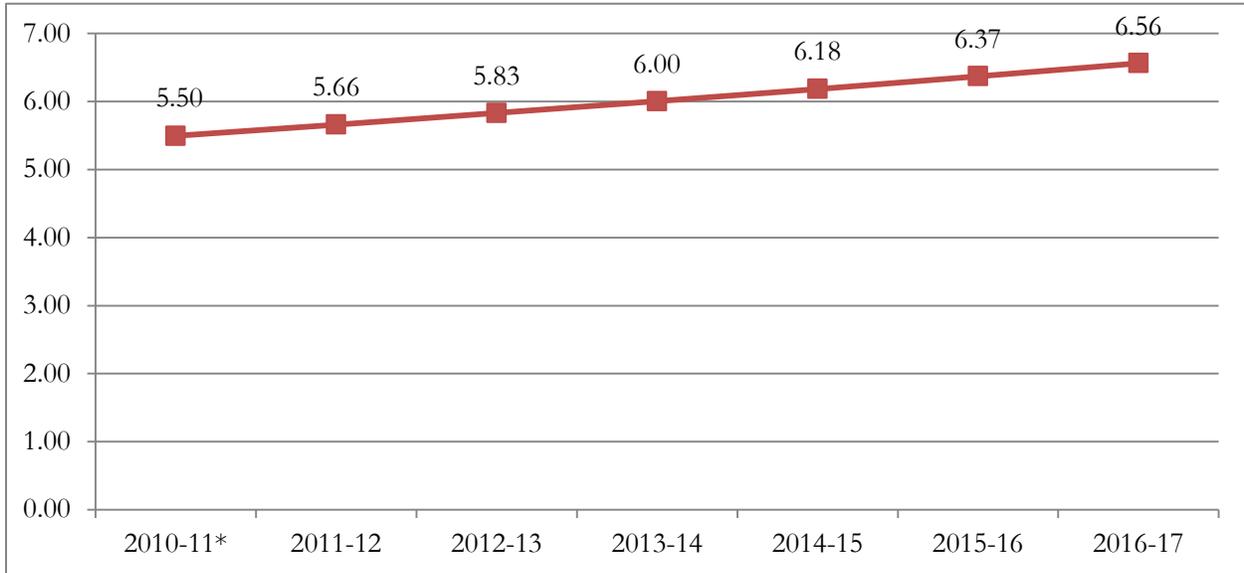
Operating Revenue / Revenue Hour, like operating cost / revenue hour, tries to insure an agency remains financially solvent in the long run. Operating revenue is composed of fares and other non-subsidy revenues. Given DuFAST’s low revenue intake, an aggressive target is suggested of at least 5% per year increase in operating revenue / revenue hour of service.

The maximum *Operating Cost / Passenger* target is established as the difference between maximum operating cost / passenger increase (3%) less the minimum passengers / revenue hour goal (3%), or 0%.

These performance standards represent the minimum performance level that DuFAST should achieve for each Act 44 criteria during the next performance review cycle, five years from the date of this report. The suggested set of performance targets were created using historical data analyzed during the four-year trend analysis as well as the most current certified audit information available. Standards were extrapolated to FY 2016-17 and are designed to be aggressive, yet achievable. Performance Standards should be mutually agreed upon by PennDOT and DuFAST so that expected anomalies are accounted for when setting the goals. The PennDOT suggested four-year performance standards for DuFAST’s Act 44 metrics are presented in **Exhibit 12, Exhibit 13, Exhibit 14, and Exhibit 15.**

Exhibit 12: Fixed-Route Passengers per Revenue Hour Performance Targets

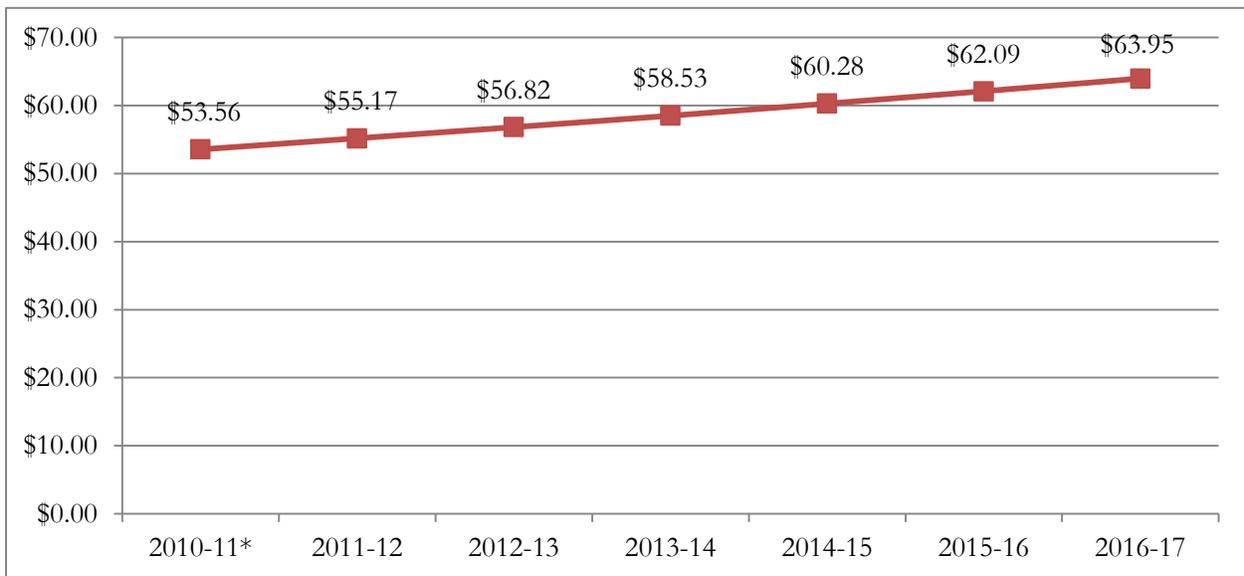
FY 2016-17 Target..... **6.56**
 Interim Year Targets **Annual increase of at least 3.0%**



*Actual dotGrants Data

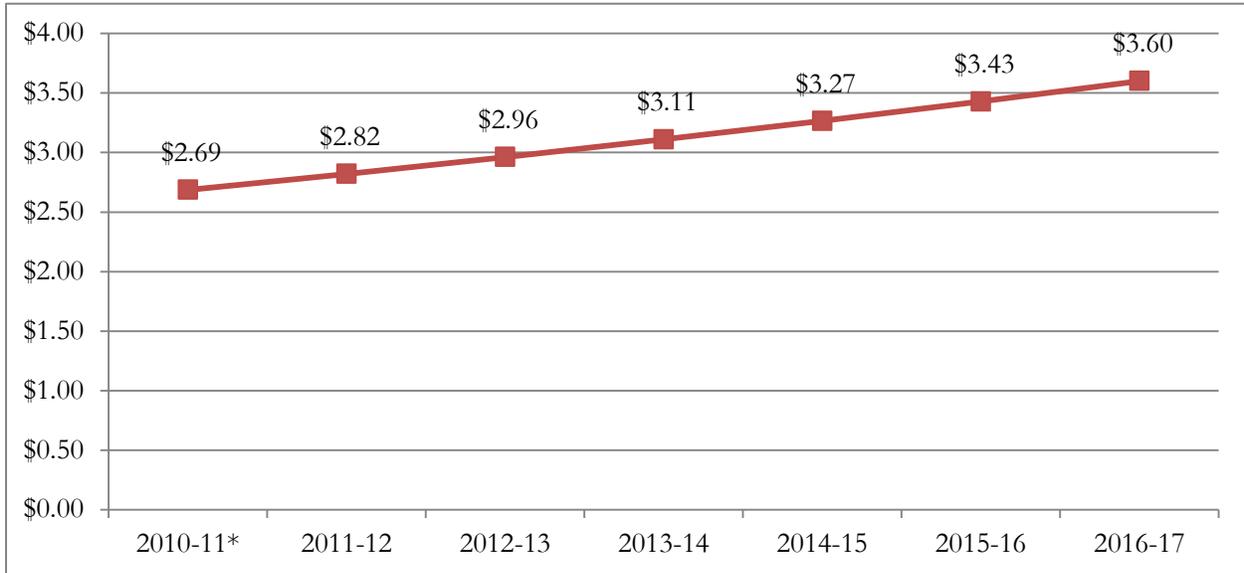
Exhibit 13: Fixed-Route Operating Cost per Revenue Vehicle Hour Performance Targets

FY 2016-17 Target..... **\$63.95**
 Interim Year Targets **Annual increase of no more than 3.0%**



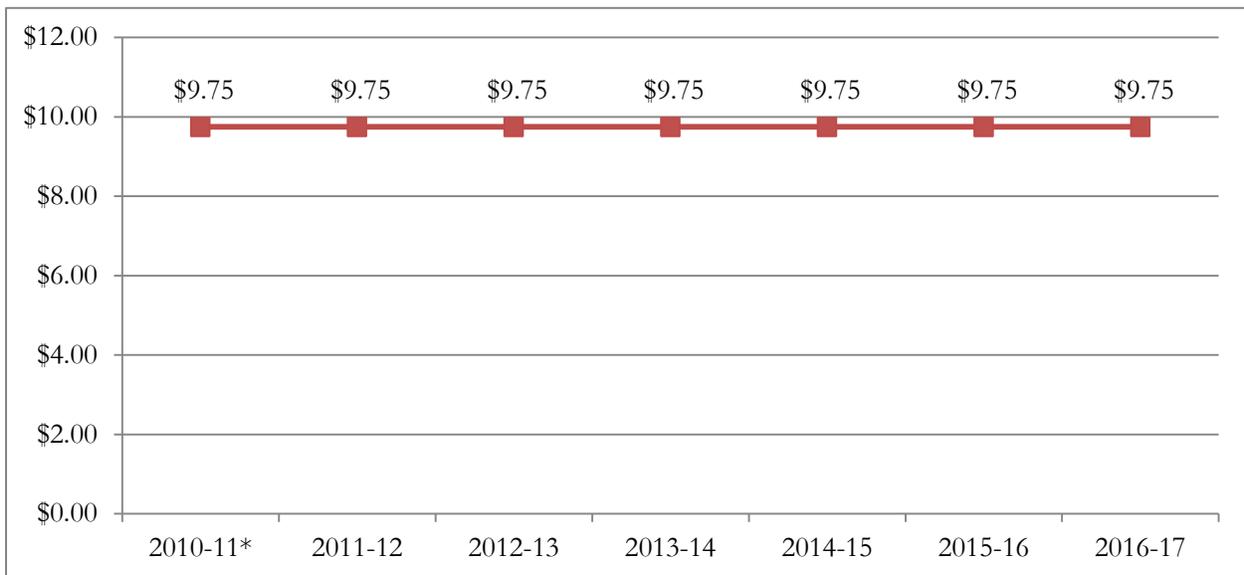
*Actual dotGrants Data

Exhibit 14: Fixed-Route Operating Revenue per Revenue Vehicle Hour Performance Targets
 FY 2016-17 Target..... **\$3.60**
 Interim Year Targets **Annual increase of at least 5.0%**



*Actual dotGrants Data

Exhibit 15: Fixed-Route Operating Cost per Passenger Performance Targets
 FY 2016-17 Target..... **\$9.75**
 Interim Year Targets **Annual increase of no more than 0.0%**



*Actual dotGrants Data

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FUNCTIONAL REVIEW

Functional reviews are used to determine the reasons behind performance results found in the Act 44 comparisons, to find “best practices” to share with other transit agencies, and to identify opportunities for improvement that should be addressed in the Action Plan (see **Appendix A: Action Plan Improvement Strategies**). A total of 15 functional areas were reviewed through documents received from the agency (see **Appendix B: Documentation Request to General Manager**) and interviews conducted on-site. The functional areas are:

- **Governing Body** – Responsibilities include setting vision, mission, goals, and objectives; management oversight; recruiting and retaining top management personnel; and advocacy for the agency’s needs and positions.
- **Advisory Committees** – Typically provide review and input to the Governing Body and agency staff in specific topic areas ranging from a public perspective to technical reviews.
- **General Management** – Responsible for the day-to-day operations of the agency. Manage, monitor, analyze, direct, and plan for the future with regard to all functional areas. Inform and report to the Governing Body, and implement governing body direction.
- **Human Resources** – Responsible for employee retention, recruitment, training, performance reviews, grievance procedures, employee benefits, and labor relations.
- **Finance** – Functional area includes budgeting, accounting, cash flow management, revenue handling, and insurance.
- **Procurement** – Includes acquisition of rolling stock, vehicle parts, non-revenue capital items (i.e., office equipment) and other operations-related items.
- **Operations** – Includes management of daily service operations, on-street supervision and control, dispatching, and general route management.
- **Maintenance** – Includes vehicle and non-vehicle maintenance management, procedures, and performance.
- **Scheduling** – Includes route and driver scheduling and decision-making, pay premium considerations, general management, procedures, and performance.
- **Safety and Security** – Functional area includes vehicle and passenger safety, facility security, and emergency preparedness.
- **Customer Service** – Includes management, procedures, and performance related to current and future customers of the fixed-route system and other topics such as service information and complaint handling processes.
- **Information Technology** – Functional area includes automated mechanisms for in-house and customer service communication including future plans for new technology.
- **Capital Programming** – Includes assessing and programming current and future capital needs reflecting both funded and unfunded projects. Includes the Transportation Improvement Program (TIP), 12-Year Program, and Long-Range Transit Plan.
- **Marketing and Public Relations** – Includes maximizing current markets and expanding into new markets. Includes managing the perception of the agency by the public at-large to encourage current and future ridership.
- **Planning** – Includes analysis of information to effectively plan for changes to the system in the short-, medium-, and long-term horizons, to help ensure the continued viability and success of the agency.

The functional review findings are organized by a brief description of the Act 44 variables guiding the performance review: passengers, fare and other non-subsidy revenues, and operating costs. A complete list of specific items reviewed—organized by functional area, topic reviewed, an assessment of its current state, observed trends or planned changes, and suggested actions if any—is summarized in **Appendix B: Documentation Request to General Manager**. These 15 areas work together to effectively meet the needs of passengers, to deliver high-quality service in a cost-effective manner, and to provide the resources that will adapt to changing needs and values.

The following sections summarize the ways which service can be delivered more efficiently and effectively in ways that are sensitive and responsive to the community’s needs, maximize productivity, direct service hours effectively, control operating costs, and achieve optimum revenue hours. The observations garnered during the review process are categorized as *Best Practices* or *Elements to Address in the Action Plan*. Best Practices are those exceptional current practices that are beneficial and should be continued or expanded.

Elements to Address in the Action Plan are recommendations which have the potential to maximize productivity, to direct service hours effectively, to control operating costs, and to achieve optimum revenue levels which will enhance the system’s future performance overall for one or more of the Act 44 fixed-route performance factors.

OPPORTUNITIES TO INCREASE FIXED-ROUTE RIDERSHIP

“Passengers,” as defined by Act 44, are unlinked passenger trips or passenger boardings across all routes in the fixed-route transit system. Increases in ridership directly represent how effectively management has matched service levels to current demand for service.

BEST PRACTICES

1. DuFAST participated in various community events such as parades, “Touch a Truck Day,” the school district’s “Bus Day,” and Salvation Army events. **This presence in the community and ongoing public outreach activity is considered a best practice.** Promoting the system and increasing awareness of the service has the potential to increase ridership.
2. DuFAST has an appointed board member from a local retirement community that represents a large portion of the ridership base. **This practice promotes customer-centered decision making at the Board level, which can increase ridership.**

ELEMENTS TO ADDRESS IN PART 2-A OF THE ACTION PLAN (P. 33)

1. DuFAST has poor ridership for an agency of its size, at less than six passengers per hour. Ridership has been relatively flat over the trend period and has decreased on a per revenue hour basis from FY 2009-10 to FY 2010-11. In 2008, a joint plan was developed for ATA and DuFAST that focused on route changes to improve system performance, including increasing ridership. Unfortunately, many of these changes were not implemented for a variety of reasons. The study stressed the need for increased coordination between ATA and DuFAST, and other transportation providers, such as Fullington Trailways. **Coordinating services with these organizations would improve transfer opportunities**

and significantly expand travel options for DuFAST riders, leading to increased ridership.

As most changes recommended in the 2008 study have not been implemented, **DuFAST and its governing board should work together to create an actionable plan to gradually increase ridership over time.** Actions may include: shifting service to more productive routes, cutting unproductive routes, implementing new routes as determined through customer need, and increasing marketing.

2. DuFAST experiences poor on-time performance, which has been noted as one of the greatest complaints from customers on recent satisfaction surveys. Routes that are consistently operating later than the schedule can be frustrating to customers and can decrease riders who depend on regular schedules. **DuFAST should take proactive steps to improve system wide on-time performance.**

For example, the Green Route is reportedly scheduled five minutes faster than the actual time it takes for a bus to perform this route. **Monitoring and potentially reevaluating the Green Route to reflect the accurate amount of time it takes to complete the route will result in on-time buses and better customer service.**

3. Non-rider surveys are a strong way for an agency to reach out to people within the community that are not currently using the service. This practice helps identify barriers for non-riders, as well as identifies potential new routes/services that would attract new riders. **DuFAST should initiate non-rider surveys on a regular basis to more actively engage the non-riding public.** Examples are available from PennDOT on request.
4. DuFAST has struggled with branding for many years, according to the manager. Branding forms a strong image that is compelling and recognizable, and can attract new riders. **DuFAST should evaluate the need for a strong branding campaign and act as appropriate.**
5. Currently, there is no system map in place for DuFAST. System maps inform customers of all travel opportunities and highlight transfer points that encourage ridership. According to management, there are plans to implement a system map when the new Information Technology Systems (ITS) package comes online, in concert with route changes that may result from additional information. **DuFAST should implement a system map as soon as possible,** regardless of whether the ITS program is delayed.
6. **DuFAST currently does not track and record analytical data on its website.** This information may include number of hits, time of day, visitor location, and others. Having an understanding of what pages people are most interested in can help DuFAST attract new riders by utilizing this information and incorporating it into a strategic ridership plan.

OPPORTUNITIES TO INCREASE FIXED-ROUTE REVENUES

“Revenues,” as defined by Act 44, encompass all non-subsidy revenues generated to help fund the operation of a transit system. The largest contributors to this are farebox revenues, route guarantees, interest on accounts, and advertising revenues.

BEST PRACTICES

None at this time

ELEMENTS TO ADDRESS IN PART 2-B OF THE ACTION PLAN (P. 34)

1. DuFAST’s revenue intake is low, particularly on a per passenger basis. Possible reasons for this lack of revenue include a high level of senior riders and the relatively low cost of passes, which many of DuFAST’s customers use. Another factor is that DuFAST currently has no formal fare policy. **DuFAST should establish a formal fare policy, focused on proportionally increasing revenue over time.**

DuFAST should also reevaluate its discount fare pass, “the Econo Pass,” as it is likely underpriced at \$30.00 for unlimited monthly rides. Fare passes generally benefit both the rider and the agency, and promote ridership and revenue. However, passes must be priced to be fair to all parties.

2. DuFAST does not have an established method for tracking and analyzing the success of marketing campaigns. **By tracking the success of marketing strategies, DuFAST will be able to better understand which strategies are the most effective.** DuFAST should follow ridership and revenue trends in periods directly following advertising over a period of time to determine the most effective strategies.
3. DuFAST performed a schedule change in 2010-2011, adding “the Loop” service at the local mall and WalMart. In the two years since the service change was implemented, the Loop is consistently under performing with poor ridership and worse revenue recovery. **A review of this service should be conducted to determine if it should be continued, and careful attention should be paid to the current \$0.50 fare.**
4. Similar to the Loop service, DuFAST currently runs an underperforming Sunday service. **Sunday service should be reevaluated to see if it should continue in the future, and if so, how to improve revenue recovery.**

OPPORTUNITIES TO CONTROL OPERATING COSTS

“Operating costs” capture the non-capital costs incurred in the day-to-day operations of a transit system. Labor, maintenance, and operating costs such as fuel and tires and lube contribute to this measure in significant ways. Many transit agencies have noted cost increases much higher than the general rate of inflation. Compounding this is the reality that operating subsidies are not likely to increase at a comparable rate. Controlling operating cost increases is a key to maintaining current service levels.

BEST PRACTICES

1. DuFAST practices excellent cost control, as the agency’s costs have remained relatively flat

over the last five years. One way in which this was accomplished was through containing overtime (premium) costs. **DuFAST achieved this by hiring a part time worker to cover shifts that were traditionally overtime and effectively saved thousands of dollars.**

ELEMENTS TO ADDRESS IN PART 2-C OF THE ACTION PLAN (P. 35)

1. DuFAST contracts all of its maintenance to ATA. Currently, DuFAST does not have direct access to ATA's maintenance system and cannot see statistics on its own fleet. **In order to better understand vehicle and fleet trends that may affect overall cost, DuFAST should gain access to this data or be provided with periodic reports (monthly, quarterly, etc.)**

OTHER FINDINGS THAT IMPACT OVERALL AGENCY PERFORMANCE

“Other Findings” is a collection of findings from the functional review that may, if addressed, improve the current or future operations of DuFAST. While not directly tied to Act 44 measures, actions to address these findings will result in a more seamless operation and greater operational efficiencies.

BEST PRACTICES

1. **The Governing Board sets performance goals for the executive director each year, and an annual evaluation is conducted against meeting these goals.** This practice promotes communication between the board and the executive director and results in at least yearly goal setting.
2. **DuFAST regularly evaluates driver performance.** This practice allows for feedback to drivers on their performance, as well as an open conversation between management and drivers on issues that may improve the overall organization.
3. **The Governing Board regularly participates in board training.** This regular refresher and training for new board members ensures a knowledgeable board that understands their roles and responsibilities.

ELEMENTS TO ADDRESS PART 3 OF THE ACTION PLAN (P. 36)

1. DuFAST does not have established performance standards. Although route level information is collected and reported regularly, there are no standards in place to determine when action should be taken. **DuFAST should document and monitor performance metrics for all key agency functions and operations⁴, including (but not limited to):**
 - Act 44 criteria
 - Revenue per passenger
 - Farepaying customers per revenue hour
 - On-time performance
 - Farebox recovery ratio
 - Improvement in customer satisfaction survey scores

⁴ Refer to http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp_report_88/Guidebook.pdf Chapter 6 for examples of performance metrics typically used to assess and monitor transit agency functions and outcomes.

Developing a realistic set of measurable objectives that are reported to and reflect the priorities of the Board will be an important step to improve the quality and efficiency of DuFAST's operations.

2. DuFAST currently builds the budget on a yearly basis. **DuFAST should budget not only for the next year but also for the next four planning years based on justifiable financial and operational plans.** This practice will allow DuFAST to identify potential funding and revenue issues and plan proactive adjustments over time.
3. Given the financial issues DuFAST has experienced over the past decade due to employee theft by the previous manager and her assistant, **DuFAST should continue to be sensitive to strict financial oversight throughout the organization:**
 - One of DuFAST's board members is employed by the bank with which DuFAST does its banking. This could be a conflict of interest or at a minimum, cause the appearance of a conflict of interest to outside reviews. **The Board should evaluate this situation and establish conflict-of-interest criteria that are transparent to the public.**
 - DuFAST utilizes the same firm to perform bookkeeping and auditing services. **These functions are meant to serve as a check and balance to ensure proper financial record keeping. DuFAST should investigate hiring an outside firm to keep its financial records, even if on a part-time or monthly basis, to establish correct financial protocol.**
 - DuFAST has not competitively bid their auditing contract for many years. **DuFAST should competitively bid auditor contracts every few years,** ensuring a fair price and keeping the auditor from becoming complacent.
 - DuFAST currently does not have a fare handling procedure in place, and the current method of fare handling presents some concerns. Drivers keep farebox keys with them on the bus at all times, and walk unsupervised with the farebox once it is removed for the day. **By implementing and following a fare handling policy, DuFAST would ensure financial transparency and security.**
4. **The DuFAST Board does not participate in conversations with local municipalities regarding local match and funding opportunities.** This is an activity that board members should be actively involved in to promote the organization.
5. DuFAST does not have a readily available list of capital inventory. Currently, the depreciation schedule serves as the only inventory list. **DuFAST should establish an itemized inventory list, particularly given the MAP-21 asset management provisions that require regular reports on all assets and their condition.**
6. DuFAST uses vehicle useful life to guide the capital planning/programming process. This practice may neglect longer term needs, including equipment, bus stop signs, shelters, and others. **DuFAST should establish a long-term list of capital needs that includes both funded and unfunded items.**

7. ATA provides all maintenance services for DuFAST, which is appropriate given the agencies colocation. However, DuFAST does not have a maintenance agreement/contract with ATA, likely leading to risk for both authorities. **A contract should be negotiated that establishes maintenance performance criteria, payment terms, and liability at a minimum.**
8. **DuFAST should work to display a good faith effort in involving Disadvantaged Business Enterprises (DBE) in procurements.** DuFAST should document efforts made to include DBE firms in procurement, including tracking the total percentage of expenditures going to DBE firms and regularly reviewing the Commonwealth's DBE listing database.
9. DuFAST currently has a service contract to provide local Medical Assistance Transportation Program (MATP) services. Typically, MATP services are provided by shared-ride operators operating door-to-door service, which DuFAST does not offer. However, the current contract is written to imply that DuFAST does in fact provide door-to-door service as an MATP contractor. **DuFAST should consider revising this contract to reflect the actual services provided to MATP customers.**
10. Transit agencies play a critical role in emergency response and preparedness in the community. DuFAST should work closely with local fire and police departments to participate in emergency training, both to benefit the community in times of need and to protect riders and emergency personnel should an emergency occur on a vehicle. The Cambria County Transit Authority (CamTran) has a very progressive training program with local emergency response and may be considered a resource in this area.

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FINANCIAL REVIEW

Act 44 fundamentally changed the financial environment for Commonwealth transit agencies as capital funding is now received as a reimbursement of capital expenditures rather than an outright grant provided on an installment basis periodically throughout the fiscal year, even before capital project expenditures were incurred by agencies. With stricter controls regarding the use of grant funds for operating vs. capital purposes and with many transit agencies operating without lines of credit, the focus on agency liquidity becomes more important.

DuFAST has demonstrated sound fiscal management of its cash flow. As of June 30, 2011, DuFAST had a total cash reserve balance of \$1.1 million. Since the inception of Act 44, DuFAST has managed to create annual cash reserves of state Section 1513 operating funds of \$619,000. In addition to this reserve balance, DuFAST still has \$403,000 of Pennsylvania Transportation Assistance Funds (PTAF) under Act 26 of 1991 (Act 26) of state and local matching funds. In addition, \$37,000 of federal 5311 operating funds along with \$70,000 of Act 26 local operating matching funds were on hand. DuFAST's cash flow management and liquidity is reflected in its current ratio which has averaged slightly over one throughout the last six years. These results are reflected in **Exhibit 16** below.

Exhibit 16: DuFAST Liquidity Ratios

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Current Ratio	1.05	1.03	1.02	1.02	1.02	1.03
Net Working Capital Ratio	0.03	0.02	0.02	0.01	0.02	0.02
Total Cash per Balance Sheet	\$816,434	\$440,195	\$1,488,135	\$1,634,813	\$1,530,607	\$1,138,494
Restricted Cash Reserves - Balance Sheet						
State Act 26 - PTAF	\$692,170	\$161,088	\$742,541	\$750,129	\$673,420	\$388,165
State Act 3	68,913	85,050	50	0	0	0
State Section 1513	N/A	N/A	0	484,629	667,680	619,353
Loss Recovery Credit	0	0	419,725	0	0	0
Local Matching Funds	0	0	53,860	0	0	0
Total Restricted Net Assets	\$761,083	\$246,138	\$1,216,176	\$1,234,758	\$1,341,100	\$1,007,518
Deferred Revenue (Balance Sheet)						
State Act 26 - PTAF	\$677,393	\$723,278	\$746,124	\$753,786	\$723,123	\$399,798
State Act 3	\$0	\$60,281	189,082	0	0	0
State Act 44 Section 1513	N/A	N/A	389,915	717,150	691,869	590,386
Federal 5311	0	36,653	36,653	36,653	36,653	36,653
Loss Recovery Credit	0	419,725	0	0	0	0
Local Act 26/PTAF	18,876	20,065	20,065	19,991	16,755	3,547
Local Act 3	0	0	0	0	0	0
Local Operating	55,270	54,776	73,593	70,060	70,060	70,060
Other	486	486	0	0	0	0
Total Deferred Revenue (Balance Sheet)	\$752,025	\$1,315,264	\$1,455,432	\$1,597,640	\$1,538,460	\$1,100,444

Note: For purposes of measuring liquidity, all restricted assets were reclassified as current assets and all deferred credits were reclassified as current liabilities.

In addition to operating results and reserve fund levels/cash availability, other factors that are analyzed in the overall assessment of DuFAST's financial condition include the value of fixed assets, amount of debt, the capital program, any unfunded liabilities, audit results, the strength of the financial , and the use of technology for financial management:

- Fixed Assets: \$1.8 million before accumulated depreciation, of which 57% are vehicles & equipment and 46% are buildings and land
- Debt: No loan or line of credit
- Capital Program:
 - Dependent on ATA for capital programming and management for building
 - Limited long-term capital planning
 - Securing local matching contributions on future state capital grants is challenging
- Unfunded Liabilities: None
- Audit Results: A repeated finding in each year's audit is that the Authority does not have the internal capability of preparing its own financial statements
- Leadership Strength: The Executive Director has strong relationships with community and political stakeholders
- Financial Systems: Intuit's QuickBooks accounting package, which is adequate for the Authority's size, accompanied by use of Microsoft Excel

Overall, DuFAST is in sound financial condition given its six-year trend of year-end cash reserves, no debt and no unfunded liabilities. Issues to focus on in the future include remedying the audit finding of not preparing its own financial statements, securing local capital matching contributions and actively managing cash flow, as PennDOT continues to direct DuFAST to use reserve funds in lieu of providing new grant funds.

Given the agency's history of excess cash reserves, PennDOT should more closely manage the provision of state capital bond grants and the distribution of federal operating funds on an annual basis.

APPENDIX A: ACTION PLAN IMPROVEMENT STRATEGIES

PART 1- EXECUTIVE SUMMARY FINDINGS TEMPLATE

IMPROVEMENT OPPORTUNITY	DuFAST Actions	Estimated Completion Date	Year					
			2012	2013	2014	2015	2016	2017
1. Implement measurable performance measures to promote performance based management and data-based decision making (p. vii)								
2. Implement plans to increase low revenue (p. vii)								
3. Establish and implement strategic plans to increase ridership (p. vii)								
4. Implement financial management improvements to increase transparency and generally accepted accounting practices (p. vii)								

Note: Include additional pages as necessary.

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PART 2- ACT 44 PERFORMANCE METRIC OBSERVATIONS TEMPLATES

A. ACTIONS TO INCREASE PASSENGERS / REVENUE HOUR TEMPLATE

Recommendation (page)	DuFAST Action	Estimated Completion Date	Year					
			2012	2013	2014	2015	2016	2017
1. Increase coordination with ATA and Fullington (p. 22) Create an actionable plan to increase ridership over time (p. 22)								
2. Take action to improve system-wide on time performance (p. 23) Reevaluate Green Route scheduling (p. 23)								
3. Initiate periodic non-rider surveys (p. 23)								
4. Evaluate the need for branding and act as appropriate (p. 23)								
5. Implement a system map (p. 23)								
6. Enable tools to track and record website analytical data (p. 23)								

B. ACTIONS TO INCREASE OPERATING REVENUE / REVENUE HOUR TEMPLATE

Recommendation (page)	DuFAST Action	Estimated Completion Date	Year					
			2012	2013	2014	2015	2016	2017
1. Establish a formal fare policy focused on proportionally increasing revenues (p. 24) Reevaluate current pass structure to ensure proper compensation for the agency (p. 24)								
2. Establish and implement a methodology to track success of marketing campaigns (p. 24)								
3. Perform an analysis of the “Loop” route to determine ways to improve ridership and revenue (p. 24)								
4. Perform an analysis of Sunday service to determine ways to improve ridership and revenue, or to eliminate the service (p. 24)								

C. ACTIONS TO REDUCE OR CONTAIN OPERATING COST / REVENUE HOUR TEMPLATE

Recommendation (page)	DuFAST Action	Estimated Completion Date	Year					
			2012	2013	2014	2015	2016	2017
1. Gain access or receive regular reports on vehicle and fleet trends in ATA maintenance software (p. 25)								

PART 3- OTHER ACTIONS TO IMPROVE OVERALL PERFORMANCE TEMPLATE

Recommendation (page)	DuFAST Action	Estimated Completion Date	Year					
			2012	2013	2014	2015	2016	2017
1. Document and monitor performance metrics for all key agency functions (p. 25)								
2. Budget for current year and next four planning years (p. 26)								
3. Continue strict financial oversight (p. 26) Establish conflict-of-interest criteria for the Board (p. 26) Separate bookkeeping and auditing responsibilities (p. 26) Competitively bid auditor contract every few years (p. 26) Implement fare handing policy (p. 26)								
4. Enhance board interaction with local municipalities regarding local match (p. 26)								
5. Create and maintain an itemized inventory list (p. 26)								
6. Establish a list of long-term capital needs (p. 26)								
7. Establish a maintenance contract with ATA outlining performance criteria, payment								

terms, and liability (p. 27)								
8. Display good faith effort towards DBE procurements (p. 27)								
9. Revise MATP contract to accurately reflect services provided (p. 27)								
10. Work with Local Fire and Police Departments in Emergency Training (p. 27)								

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APPENDIX B: DOCUMENTATION REQUEST TO GENERAL MANAGER

2012 Transit Performance Review
Data Request
Pennsylvania Department of Transportation
Bureau of Public Transportation



DOCUMENT REQUEST

Please provide the following documents and label as shown for **fixed route service only**. Information is strongly preferred in electronic format. Please indicate on the below checklist as to the status and availability of the information.

**Denotes information requested from contractors in addition to Agency.

Requested Item	Mark Form in which Data to Be Provided			
	Electronic	Paper Mail	Not Available	Not Applicable
BACKGROUND				
1. Enabling legislation, ordinances, compacts or charter.	x			
2. Brief history of the agency, including its current and any prior official names, any present nicknames or monikers, and identify any predecessor entities, service days/hours and any other general agency information.	x			
3. Business or Strategic Plans, including adopted Mission and Vision statements.	x			
4. Describe any unique circumstances that have adversely or positively affected the agency (ridership, finances, other).	x			
GOVERNANCE/GENERAL MANAGEMENT				
5. List of current governing body members, with terms and tenure of each member and contact information for each.	x			
6. Governing body minutes and agenda from the last 12 months.	x			
7. Biography, contract terms, and tenure of General Manager / Executive Director.	x			
8. **Organization chart delineating decision authority by roles.	See empl. manual			
9. Succession plan or equivalent.			x	
10. Any documentation not provided above which delineates the respective roles and responsibilities of management and governing body members.	See empl. manual			
OVERSIGHT AND REVIEWS				
11. Two most recent annual reports from chief executive officer to governing board.	Monthly reports			
12. Financial Management Oversight (FMO) reviews, Triennial Reviews, and any other recent outside audits or evaluations in any administrative areas such as: Executive Management, Human Resources, Finance, Legal, Information Management, Resource Management, Internal Audit, Marketing, etc. Include all correspondence between the agency, PennDOT, FTA, auditors, etc.	Fin. Audit SAFTI Audit Compl. Review Various Correspond			

**2012 Transit Performance Review
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Requested Item	Mark Form in which Data to Be Provided			
	Electronic	Paper Mail	Not Available	Not Applicable
2007 Service Plan				
HUMAN RESOURCES				
13. All collective bargaining agreements as well as any related documents(e.g., letters or memoranda of understanding, letter agreements, side letters that clarify or modify the collective bargaining agreements, etc.)				x
14. Any strikes or work stoppages over the past 6 years.				x
15. Any reports filed with the state or federal government regarding union operations, funds management, etc.				x
16. Cost of benefits (health care, pension/retirement, etc.) broken down by major category for the last year and projected for the next 5 years.	x			
17. Turnover rate by position for each of the last 5 years.	x			
18. **Operator hiring and performance review procedures.	See proc. Guide & Emp. Evals.			
FINANCE				
19. Operating and Capital Budgets for the current fiscal year (provide separately if not in the Annual Report).	x			
20. Official Bond Statements for the most recent issuances.			?	
21. Audited Financial Statement for the most recent fiscal year and Single Audit Statement.	x			
22. Profit/Loss/Cash Flow statements for each of the past 12 months.	x			
23. Year-end cash position for each of the last 2 fiscal years.	x			
24. Operating revenues and expense detail by account for each of the last 2 years. Please provide in as frequent intervals as possible (i.e. monthly, quarterly)	x			
25. Accounts Receivable (AR) and Accounts Payable (AP) aging Report	x			
PROCUREMENT				
26. Procurement policy and procedures.	x			
CONTRACTING				
27. Contracts involving purchased transportation.				x

**2012 Transit Performance Review
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Requested Item	Mark Form in which Data to Be Provided			
	Electronic	Paper Mail	Not Available	Not Applicable
28. Contracts for the provision of services or special operations agreements to specific agencies, localities, colleges, universities, or other entities.	x			
29. **Contracts for tire services, management services, and professional services over \$25,000 in value.				x
30. Contract management plan.				x
OPERATIONS				
31. **Operations Manual.	See Emp. Manual			
32. **Operators Manual.	See Emp. Manual			
33. **Emergency and inclement weather (snow, flood, etc.) operational plans and procedures.	See proc. guide			
34. **Dispatch procedures				x
35. **On-street supervision procedures (incl. AVL, if equipped).	See driver evals.			
36. **Service standards for existing and new or newly restructured services. Provide description or example of how used in periodic service evaluations and service planning.	x			
37. Significant seasonal variations in service supplied (including school alterations, special routes, etc.).	See backgr. Info.			
38. Identify and provide relevant documents regarding any present & future operational challenges.	x			
FARES AND FARE SECURITY				
39. Listing of fares by type and media (pass, token, cash, etc.)	x			
40. Plans for changes in fare media (e.g. electronic).			x	
41. **Monthly fare revenue by category, and by patron type.	x			
42. **Fare handling policy & procedures (from on-board vehicle to deposit at bank).	x			
43. Commuter choice program description, synopsis of participants, marketing activities, and total revenues derived from program (if applicable).				x
MAINTENANCE				
44. **Maintenance plan, programs and procedures manual.	x			
45. **Fleet roster for fixed route revenue and non-revenue vehicles	x			
46. End of year parts inventory value (\$) for each of past 5 years.			x	

**2012 Transit Performance Review
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Pennsylvania Department of Transportation
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Requested Item	Mark Form in which Data to Be Provided			
	Electronic	Paper Mail	Not Available	Not Applicable
47. Building condition appraisals.			x	
48. Ongoing asset maintenance programs.			x	
OPERATIONAL SCHEDULING/PLANNING				
49. **Scheduling Manual.	x			
50. Maps and schedules (system wide and route specific).		x		
51. Revenue miles, revenue hours & fares from any charter services provided in each of the last 6 years.				x
52. Short range transit operational plan (i.e., TDP - transit development plan).	x			
53. Long range transit plan.			x	
SAFETY AND SECURITY				
54. Summary of Worker Compensation Claims, by year, for each of last 5 years.				x
55. **Description of accident/incident policy and definitions, including how they are recorded and monitored (separated by employee and patron).	Empl. Manual			
56. **Property collisions and other reportable incidents for each of the past 6 years.	x			
57. **Personal injuries and fatalities for each of the past 6 years.				x
58. **On-board criminal activities for each of the past 6 years				x
59. **Property criminal activities for each of the past 6 years				x
60. **Safety training and Collision reduction plan(s).			x	
61. **Emergency Preparedness / Operations Continuity Plan.			x	
62. **List of any safety or security issues and/or concerns.				x
63. **Number of vehicles and sites with security monitoring (i.e., camera, patrols).				x
64. Records of safety meetings for past 2 years.	x			
CUSTOMER SERVICE				
65. **Fixed route ADA compliance reports for the most recent year.				x
66. Two most recent customer service surveys reports and any actions taken to address known issues.	x			
67. **Complaint procedures manual/policy and 2 most recent reports.	x			
68. Other customer service metrics maintained by the agency.			x	
INFORMATION TECHNOLOGY				
69. **Computer disaster recovery plan. See IT Strategic Plan			x	
70. Computer security procedures now in use.			x	
71. **Data collection technology/programs (i.e., APCs, AVL, scheduling software, financial management software, maintenance software).				x

**2012 Transit Performance Review
Data Request
Pennsylvania Department of Transportation
Bureau of Public Transportation**

Requested Item	Mark Form in which Data to Be Provided			
	Electronic	Paper Mail	Not Available	Not Applicable
CAPITAL PROGRAMMING				
72. Short and Long-term capital programs or plans including: <ul style="list-style-type: none"> • Transit TIP • Agency Specific Plans (additional to TIP): <ul style="list-style-type: none"> ○ Fleet expansion needs/plans for revenue and non-revenue vehicles (if in addition to TIP) ○ State-of-good-repair facility projects for next 5 years (new roof, vehicle overhaul, etc.) ○ New/Expanded facilities projects for next 5 years ○ Replacement/expansion needs/plans for all other capital assets for next 5 years 	TIP SOGR Info. Capital Plan thru 2017			
73. Contact information for any assets owned, operated, or maintained by others.	x			
74. Listing of real estate fixed assets (i.e., facilities, transfer locations, etc.) identifying any asset currently not directly used in transit operations and plans for same.				x
75. Listing of Real estate plans (purchases, sales, or lease changes) including current or planned construction projects, documenting cost to complete and projected completion date planned for next 5 years				x
MARKETING AND PUBLIC RELATIONS				
76. Service area demographics, customer profiles, and market research documents (as available).	2007 Study			
77. Local news clippings from past 5 years.			x	
78. Copy of current year marketing program and policies.			x	
79. Public involvement plan, and notices and attendance rosters from events from most recent 2 years.	See mtg. minutes			
80. Reports, input, recommendations, etc. from ridership committees and/or advocacy groups for the past 2 years.			x	

APPENDIX C: FINANCIAL MANAGEMENT REVIEW



DUFAST FINANCIAL MANAGEMENT ASSESSMENT

BPT Contract #358R10 – MMOE2 (Baker)

**Work Order #42 – ATA/DuFAST Financial Condition and Financial Management
Practices Assessment**

Task #3 Deliverable – DuFAST Final Report



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INTRODUCTION

BACKGROUND

The DuBois, Falls Creek, Sandy Township Joint Transportation Authority (DuFAST or the Authority) was formed for the purpose of providing public transportation and was incorporated pursuant to provisions of the Municipalities Authority Act of the Commonwealth of Pennsylvania (Commonwealth). “Board members are appointed by the local municipalities and have decision making authority and the responsibility to significantly influence operations and primary accountability for fiscal matters.”¹ DuFAST is a rural transit authority operating scheduled fixed route service within the City of Dubois, the Borough of Falls Creek, and the Township of Sandy.

ASSESSMENT PURPOSE

The Commonwealth, through the Pennsylvania Department of Transportation’s (PennDOT) Bureau of Public Transportation (BPT), provides operating and capital funding to Commonwealth transit agencies, including DuFAST. In accordance with Act 44 of 2007 (Act 44), performance reviews of transit agencies are required at least once every five years to improve agency performance and identify transferable best practices. BPT determined that a financial assessment should be performed prior to the planned operational performance review and therefore requested that VantagePoint Associates, Inc. (VantagePoint) perform an assessment of the Authority’s financial condition and financial management practices.

APPROACH

The assessment was conducted by examining data and documents and performing internal and external interviews. The review of DuFAST’s financial related documents included, but was not limited to, audited financial statements, general ledger (GL) chart of accounts, year-end trial balances, operating and capital budgets and internally prepared reports used by the Authority’s Board and/or management. Other documents examined in the review included BPT grant data and DuFAST policies, procedures, and organization charts. An interview was held with the Authority’s Executive Director and discussions were held with the Authority’s independent accounting firm.

DuFAST’s financial condition was assessed by analyzing the organization’s audited financial statements, examining its operating and capital budgets, and reviewing audit results. The financial management assessment focused on the following financial and strategic functions:

- Accounting (GL, accounts receivable (A/R), accounts payable (A/P), fixed assets, payroll, grants accounting, capital program/project accounting, inventory, and purchasing)
- Audit (fiscal year-end audit process and audited financial statements)
- Budgeting
- Cash management
- Contract and grant compliance

¹ Source: DuFAST audited financial statements

-
- Debt management
 - Employee benefit management
 - Financial analysis
 - Financial policies and procedures
 - Financial reporting and technology
 - Risk management
 - Strategic planning

Findings are organized and presented by functional area and include background information and examples where appropriate.

FINANCIAL CONDITION

The heart of the financial condition assessment is the analysis of DuFAST's FY2010-11 audited financial statements.

As shown in Exhibit 1, the statement of revenues and expenses reflects DuFAST revenue of \$32 thousand and operating expenses of \$778 thousand in Fiscal Year 2010-11. The resulting operating loss of \$746 thousand is partially offset by \$609 thousand of subsidies, provided primarily by the Commonwealth. The remaining loss of \$137 thousand represents non-cash depreciation expenses.

Exhibit 1 DuFAST FY2010-11 Statement of Revenues and Expenses

Operating Revenues	
Passenger Fares	\$31,210
Miscellaneous Income	949
Total Operating Revenues	<u>\$32,159</u>
Operating Expenses	
Vehicle Operation	\$394,688
Maintenance	38,720
General and Administrative	<u>345,110</u>
Total System Operating Expenses	<u>\$778,518</u>
Operating Income (Loss)	(\$746,359)
Non-Operating Revenues	
Federal Operating Assistance Grant	34,098
State Operating Assistance Grant	\$539,287
Local Operating Assistance Grant	<u>35,636</u>
Total Non-Operating Revenues	<u>\$609,021</u>
Net Income (Loss)	(\$137,338)
Reconciling Expenses	\$137,338
Net Income (Loss) w/out Reconciling Items	\$0

DuFAST's balance sheet, as of June 30, 2011, shows restricted cash reserves and deferred revenue of approximately \$1.1 million:

Exhibit 2
DuFAST Balance Sheet as of June 30, 2011

Current Assets		Current Liabilities	
Cash on hand and in bank	\$25,630	Accounts Payable	<u>\$12,935</u>
Certificates of deposit	105,346	Total Current Liabilities	\$12,935
Accounts receivable	<u>458</u>		
Total Current Assets	\$131,434	Deferred Credits	
		Deferred grant funds	\$1,026,837
Restricted Assets		Deferred local match	<u>73,606</u>
Certificates of deposit	\$1,007,518	Total Deferred Credits	\$1,100,443
Prepaid insurance	<u>10,850</u>		
Total Restricted Assets	\$1,018,368	TOTAL LIABILITIES	\$1,113,378
Property and Equipment		Fund Assets	
Land	\$26,851	Invested in capital assets, net of related debt	\$1,015,273
Building	826,669	Unrestricted	<u>36,423</u>
Buses and auto	944,168	Total Fund Net Assets	\$1,051,696
Shop and office equipment	<u>42,157</u>		
Sum	\$1,839,845		
Less accumulated depreciation	<u>(824,573)</u>		
Net Property and Equipment	\$1,015,272		
TOTAL ASSETS	\$2,165,074	TOTAL LIABILITIES AND FUND NET ASSETS	\$2,165,074

Act 44 fundamentally changed the financial environment for Commonwealth transit agencies as capital funding is now received as a reimbursement of capital expenditures rather than an outright grant provided on an installment basis periodically throughout the fiscal year, even before capital project expenditures were incurred by agencies. With stricter controls regarding the use of grant funds for operating vs. capital purposes and with many transit agencies operating without lines of credit, the focus on agency liquidity becomes more important.

DuFAST has demonstrated sound fiscal management of its cash flow. As of June 30, 2011, DuFAST had a total cash reserve balance of \$1.1 million. Since the inception of Act 44, DuFAST has managed to create annual cash reserves of state Section 1513 operating funds of \$619 thousand. In addition to this reserve balance, DuFAST still has \$403 thousand of Pennsylvania Transportation Assistance Funds (PTAF) under Act 26 of 1991 (Act 26) of state and local matching funds. In addition, \$37 thousand of federal 5311 operating funds along with \$70 thousand of Act 26 local operating matching funds were on hand. DuFAST's cash flow management and liquidity is reflected in its current ratio² which has averaged slightly over one throughout the last six years. These results are reflected in Exhibit 3 below.

² Current ratio measures the liquidity of the organization by determining the number of times liabilities that are due within a 12 month period can be paid with assets that are deemed highly liquid. Such assets include cash, cash equivalents (i.e. investments convertible to cash with a year) and accounts receivable. All cash and cash equivalents, regardless of whether they are restricted for specific purposes, are included.

Exhibit 3 DuFAST Liquidity Ratios

	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Current Ratio	1.03	1.02	1.02	1.02	1.03	1.05
Net Working Capital Ratio	0.02	0.02	0.01	0.02	0.02	0.03
Total Cash per Balance Sheet	\$1,138,494	\$1,530,607	\$1,634,813	\$1,488,135	\$440,195	\$816,434
Restricted Cash Reserves - Balance Sheet						
State Act 26 - PTAF	\$388,165	\$673,420	\$750,129	\$742,541	\$161,088	\$692,170
State Act 3	0	0	0	50	85,050	68,913
State Section 1513	619,353	667,680	484,629	0	N/A	N/A
Loss Recovery Credit	0	0	0	419,725	0	0
Local Matching Funds	0	0	0	53,860	0	0
Total Restricted Net Assets	\$1,007,518	\$1,341,100	\$1,234,758	\$1,216,176	\$246,138	\$761,083
Deferred Revenue (Balance Sheet)						
State Act 26 - PTAF	\$399,798	\$723,123	\$753,786	\$746,124	\$723,278	\$677,393
State Act 3	0	0	0	189,082	\$60,281	\$0
State Act 44 Section 1513	590,386	691,869	717,150	389,915	N/A	N/A
Federal 5311	36,653	36,653	36,653	36,653	36,653	0
Loss Recovery Credit	0	0	0	0	419,725	0
Local Act 26/PTAF	3,547	16,755	19,991	20,065	20,065	18,876
Local Act 3	0	0	0	0	0	0
Local Operating	70,060	70,060	70,060	73,593	54,776	55,270
Other	0	0	0	0	486	486
Total Deferred Revenue (Balance Sheet)	\$1,100,444	\$1,538,460	\$1,597,640	\$1,455,432	\$1,315,264	\$752,025

Note: For purposes of measuring liquidity, all restricted assets were reclassified as current assets and all deferred credits were reclassified as current liabilities.

In addition to operating results and reserve fund levels/cash availability, other factors that are analyzed in the overall assessment of DuFAST's financial condition include the value of fixed assets, amount of debt, the capital program, any unfunded liabilities, audit results, the strength of the financial, and the use of technology for financial management:

- Fixed Assets: \$1.8 million before accumulated depreciation, of which 57% are vehicles & equipment and 46% are buildings and land
- Debt: No loan or line of credit
- Capital Program:
 - Dependent on Area Transportation Authority (ATA) for capital programming and management for building. Frequent changes by ATA in project scope and budget have resulted in project delays
 - Limited long-term capital planning
 - Securing local matching contributions on future state capital grants is challenging
- Unfunded Liabilities: None
- Audit Results: A repeated finding in each year's audit is that the Authority does not have the internal capability of preparing its own financial statements.

-
- Leadership Strength: The Executive Director has strong relationships with community and political stakeholders
 - Financial Systems: Intuit's QuickBooks accounting package, which is adequate for the Authority's size, accompanied by use of Microsoft Excel

Overall, DuFAST is in sound financial condition given its six-year trend of year-end cash reserves, no debt and no unfunded liabilities. Issues to focus on in the future include remedying the audit finding of not preparing its own financial statements, securing local capital matching contributions and actively managing cash flow, as PennDOT continues to direct DuFAST to use reserve funds in lieu of providing new grant funds.

Given the agency's history of excess cash reserves, PennDOT should more closely manage the provision of state capital bond grants and the distribution of federal operating funds on an annual basis.

OVERALL FINANCE ORGANIZATION, POLICIES, PROCEDURES AND TECHNOLOGY

FINANCE ORGANIZATION

DuFAST is managed on a daily basis by its Executive Director. With only one other management staff member, the Assistant to the Executive Director, there is no formal internal financial staff.

The Executive Director is responsible for accounting entries, check signing, operating and capital budget development and monitoring, National Transit Database (NTD), Board of Directors (Board), and PennDOT reporting and drafting and updating the employee manual. The Assistant to the Executive Director is responsible for cash counts, tally sheet reconciliations, bank deposits, account reconciliations, and the check printing. External professionals assisting with financial functions include DuFAST's accounting firm, payroll processor, and external legal counsel.

The Executive Director's relationship with the Board appears strong, with good communication of financial status, financial issues, and audit results.

FINANCE POLICIES AND PROCEDURES

The only formal financial policies and procedures that exist at the Authority are those related to the counting of cash (contained in the Employee Manual), check signature requirements (a Board issued policy), and the issuance of Requests for Proposals (RFPs) (also a Board issued policy).

FINANCE TECHNOLOGY

The Authority uses QuickBooks for its accounting activity and outsources payroll processing. Budget development, monitoring, and reporting are accomplished through the use of Excel spreadsheets. The Authority is seeking another accounting package that is user friendly and will provide a link between accounting and budgeting functions.

There is no information technology (IT) training or internal technical skills given the size of the organization, therefore local computer repair and consulting services are used for IT management and support.

IT planning is accomplished with the support of consultants. Consultants recently performed a needs assessment and capital grant approval was received from PennDOT for a series of IT investments. DuFAST will use remaining PTAF dollars and capital bond funding along with local matches to fund these technology expenditures.

FINDINGS RELATED TO FINANCIAL FUNCTIONS

INTRODUCTION

Findings related to DuFAST's financial functions are provided under seven categories:

1. Accounting and Financial Reporting
2. Audit and Fiscal Year-End Reporting
3. Budgeting and Strategic Planning
4. Cash and Debt Management
5. Contracts and Grant Compliance
6. Financial Analysis and Cost Allocation
7. Procurement and Risk Management

ACCOUNTING AND FINANCIAL REPORTING

Basic processes related to payroll, A/R, A/P, and inventory are adequately managed by DuFAST management despite the fact that there is no trained finance professional on staff. However, as noted below in the audit related findings, the lack of financial staff has negatively impacted the ability to perform standard accounting procedures such as journal entries and preparation of year-end financial statements.

Separate accounts have been appropriately established and maintained for each type of state grant fund and local matching contribution funds. The Authority now keeps track of capital project spending by state vs. local funding sources through the use of an Excel spreadsheet.

DuFAST shares the office building and maintenance facility that it occupies with ATA, with ATA performing all maintenance on DuFAST's vehicles. As a result, there are invoices to and from ATA that DuFAST management accounts for such as invoicing ATA for floor mat cleaning and the payment to ATA for vehicle maintenance and inventory usage (i.e. spare parts, maintenance supplies).

A review of sample Board reports indicated that a strong effort is made to inform the Board of the Authority's financial status and issues despite the lack of traditional finance staff. The Executive Director prepares the monthly Board report package which includes monthly ridership, monthly invoices paid, monthly profit and loss statement with actual results to budget comparisons, and quarterly operating and financial statistics for total operations and by route, with revenues and expenses for the current and prior year.

Board reports, audited statements, and required PennDOT reports have routinely been provided on a timely basis.

Five findings related to accounting and financial reporting address the classification of restricted assets, account reconciliations, check signatures and the Board reporting package.

Finding #1: Inconsistencies exist regarding the classification of restricted assets pertaining to federal, state, and local balances

Only remaining balances of state grant funds are classified as restricted assets while remaining local and federal funds on hand are not classified as restricted assets.

Finding #2: All restricted assets are reported as non-current assets

All restricted assets are reported as non-current assets as opposed to classifying current and non-current portions

Finding #3: DuFAST's independent accounting firm is required to perform account reconciliations for all deferred revenue accounts

Although bank account reconciliations are performed internally, DuFAST's independent accounting firm, in the absence of an internal accounting staff person, is required to perform account reconciliations for all deferred revenue accounts

Finding #4: Internal control weaknesses exist associated with payment approvals and issuance of checks

All checks of less than \$1,500 are signed by the Executive Director and all checks in excess of \$1,500 require two signatures (Executive Director plus one Board member). Given the small size of the organization, inadequate number of staff to provide a second level of approval on payments, and the Authority's previous experience with employee fraud, a Board member signature should be required on all checks that are issued.

Finding #5: Balance sheet and cash flow statements are not included in the Board reporting package

DuFAST's Board is currently provided with a basic set of financial reports on a monthly basis. To provide a full picture of the organization's financial condition, monthly balance sheets and cash flow statements should be added to the Board financial package.

AUDIT AND FISCAL YEAR-END REPORTING

The Authority's external auditor is Mauthe, Yutzey & Gabler, LLC (MYG). Based on a review of the audited statements and discussions with the partner in charge of the DuFAST audit, MYG has a strong knowledge of PennDOT funding programs and associated accounting requirements and procedures for state grants and local matching contributions. Commonwealth subsidies are properly recognized as revenue as funds are used and not when they are received, and balance sheet state and local account balances are reconciled to legacy report figures. It was MYG that identified prior management embezzlement and reported it to the Board.

DuFAST typically submits its audited financial statements to PennDOT in a timely manner. The audited statements, audit results, and management letter are presented to the Board annually prior to the audit submission to PennDOT.

Two findings related to the audit and fiscal year-end reporting address internal accounting capabilities and the procurement of audit services.

Finding #6: Management does not prepare its own financial statements and is unable to perform standard monthly and year-end closing practices

The independent accounting firm has repeatedly disclosed, in each annual audit reviewed, that the Authority does not have the internal staff to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP), to facilitate the financial reporting process, and to prevent, detect and correct a misstatement. Additionally, although bank account reconciliations are performed internally, the accounting firm is needed to prepare year-end adjusting journal entries for subsidy revenue recognition and perform account reconciliations on all deferred revenue accounts.

The Authority acknowledges this internal control deficiency and has relied on the support of the accounting firm since “the cost to resolve the deficiency would significantly exceed the resulting benefits and the deficiency does not detract from the reliability of the financial data supporting the financial statements and notes that are prepared by the CPA firm.”

Since the Authority has not taken steps to remedy these issues, its external accounting firm has been required to assert itself beyond acceptable levels in the performance of the year-end audit. This jeopardizes the independence of the accounting firm and the objectivity of the audit conclusions.

Finding #7: An RFP for audit services has not been issued for a number of years

DuFAST has not issued RFPs for audit and legal services in a number of years.

BUDGETING AND STRATEGIC PLANNING

The Executive Director has routinely developed the organization’s operating budget on an annual basis for Board review, approval, and monitoring. However, that has not historically been the case for the capital budget. With PennDOT’s recent request for a multi-year capital plan, the Executive Director did develop a capital budget and plan and intends to continue this practice in the future.

FY2009-10 capital expenditures included the acquisition of a shuttle bus, improvements to passenger facilities, and replacement of a facility roof.

Three findings related to budgeting and strategic planning address capital budgets, capital budget monitoring and strategic planning.

Finding #8: Capital plans and budgets are not routinely developed

Finding #9: Capital budget monitoring by project is not performed throughout the life of each project, but rather is examined only at the completion of each project

Finding #10: No strategic planning is performed

CASH AND DEBT MANAGEMENT

As noted in the financial condition section of this report, DuFAST has considerable cash reserves from Commonwealth funding sources. The Executive Director recognizes that when PTAF is depleted, DuFAST will likely need a line of credit to fund capital projects since Act 44 capital payments and capital bond payments are made on a reimbursable basis.

PTAF funds were used to fully purchase a passenger bus in FY2009-10. The Authority has applied for and received a federal grant in FY2010-11 to reimburse the Authority for excess Act 26 funds expended for this acquisition.

DuFAST has no outstanding debt and no line of credit. A long-term agreement between DuFAST and Council for Human Dignity for the construction of enclosed bus shelters results in Authority payments for related utilities.

The finding below on cash and debt management addresses cash flow forecasting.

Finding #11: No cash flow statements or forecasts are prepared other than the cash flow statement contained in the audited financial statements

No internal cash flow forecasts are produced given current funding and cash reserve levels. The Authority will need to develop and use cash flow forecasts to manage cash as reserve balances are depleted.

CONTRACTS AND GRANT COMPLIANCE

Given significant cash reserves, PennDOT did not provide federal 5311 operating funding to DuFAST in FY2011-12 and instructed the agency to use a five-year old federal 5311 overpayment for operating needs.

The Executive Director has a good understanding of Commonwealth grant programs for operational purposes. State and local Act 44 Section 1513 funds and PTAF funds are deposited in interest bearing accounts and the Authority's accounting firm properly separates interest earnings related to state and local funds.

Falls Creek Borough pays 10% of the local match contribution and the remaining three municipalities (City of DuBois, Clearfield County, and Sandy Township) share the differential equally. Pre-Act 44, DuFAST invoiced the local municipalities for more than the required operating and capital matches. For the past three years, DuFAST has only invoiced for the minimum requirement for the local

operating matching contribution as capital reserves had been growing. Act 44 Section 1513 local matching contributions have been increasing by 5% per year.

The finding below on contracts and grant compliance addresses local match operating funds.

Finding #12: Act 44 Section 1513 local matching contributions from previous years remain on hand and have not been used to fund DuFAST's operating deficit

Of the \$70,060 in local match operating funds available as of July 1, 2010, \$43,864 is Act 26 local match funding and \$26,196 is Act 44 Section 1513 local match funding.

Pursuant to PennDOT policy, for any agency that has not reached the point where local contributions amount to 15% of state Act 44 Section 1513 funding, the minimum matching requirement of local operating contributions should be used prior to the end of the fiscal year in which the required local matching contributions were received. As a result, the \$26,196 referenced above should be used by the end of the current fiscal year.

FINANCIAL ANALYSIS AND COST ALLOCATION

Operating budget analysis and route performance analysis is performed on at least a monthly basis. Since DuFAST only provides rural fixed route bus service, there is no need for a divisional, functional, or modal cost allocation.

Two findings related to financial analysis and cost allocation address route performance analysis and fare analysis.

Finding #13: Route financial performance analysis results are derived by taking total costs and dividing by the number of routes

DuFAST currently analyzes route financial performance by taking total costs and dividing by the number of routes. A more accurate and preferred method is to allocate costs based on mileage, trips and/or other variables.

Finding #14: No financial analysis was performed in 2009 for the implemented fare increase

In 2009, when fares increased from \$1.00 to \$1.25, no fare analysis was performed.

PROCUREMENT AND RISK MANAGEMENT

The Authority has found that the number of responses to competitive procurement processes may be limited due to a smaller pool of vendors in the rural location within which DuFAST operates. Therefore, RFPs are issued for all purchases of \$100,000 or more whether it is an operating or capital purchase and competitive quotes are received for all other purchases.

With respect to risk management, the Authority's insurance broker and independent accounting firm support the organization in determining the type and level of coverage required. To minimize financial risk, both the Executive Director and the Assistant to the Executive Director are bonded, and bank balances that exceed the Federal Deposit Insurance Corporation's (FDIC) insurance level are covered by pledged bank securities that amount to 126% of DuFAST's bank account balances.

The Authority is also a member of two state-wide transportation pools. The first is a Property and Liability Pool that provides property, general liability, automobile liability, automobile damage and crime, boiler and machinery, and public officials' errors and omissions insurance coverage. The second is related to Workers' Compensation where the coverage pools workers' compensation and occupational disease insurance risks, reserves, claims, and losses.

One finding related to procurement and risk management addresses purchase orders and contracts:

Finding #15: Limited use of contracts and no use of purchase orders

Contracts are used only for limited services and purchase orders are not used at all. For example, although fuel is bid out every year, no contracts are executed.

FINDINGS AND SUGGESTED CORRECTIVE ACTION

The table below presents suggested corrective action steps for each of the findings noted earlier in this report:

Functional Area	Finding	Suggested Corrective Action
Financial Condition	Agency has historically had excess cash reserves	<ul style="list-style-type: none"> While this is a positive finding for DuFAST, PennDOT should more closely manage the provision of state capital bond grants and the distribution of federal operating funds on an annual basis
Policies and Procedures	Virtually no written financial policies and procedures	<ul style="list-style-type: none"> Given the small size of the organization, the loss of one person can dramatically impact the knowledge base concerning existing financial policies and procedures. Therefore, DuFAST should develop written financial policies and procedures. This can be accomplished quickly and relatively inexpensively through a contract for services with an accountant or financial consultant.
Accounting and Financial Reporting	Inconsistencies exist regarding the classification of restricted assets pertaining to federal, state, and local balances	<ul style="list-style-type: none"> All remaining federal, state, and local fund balances that are designated for specific purposes should be classified as restricted funds (assets)
	All restricted assets are reported as non-current assets	<ul style="list-style-type: none"> The balance sheet should classify current and non-current portions of restricted assets
	DuFAST's independent accounting firm is required to perform account reconciliations for all deferred revenue accounts	<ul style="list-style-type: none"> Management, rather than the accounting firm, should be performing these duties. Refer to first finding under functional area "Audit and Fiscal Year-End Reporting" below for further corrective action suggestions
	Internal control weaknesses exist associated with payment approvals and issuance of checks	<ul style="list-style-type: none"> Given the small size of the organization and inadequate number of staff to provide a second level of approval on payments, a Board signature should be required on all checks that are issued
	Balance sheet and cash flow statements are not included in the Board reporting package	<ul style="list-style-type: none"> Balance sheet and cash flow statements should be included in the Board reporting package

Functional Area	Finding	Suggested Corrective Action
Audit and Fiscal Year-End Reporting	Management does not prepare its own financial statements and is unable to perform standard monthly and year-end closing practices	<ul style="list-style-type: none"> Agency should explore the use of a part-time accountant to perform standard monthly and year-end accounting tasks and journal entries as well as the preparation of GAAP financial statements. The engagement of a part-time accountant will also give management the ability to provide a balance sheet and cash flow statement to the Board on a monthly basis. This action should be seriously pursued as the agency's accounting firm has been performing these functions in the absence of trained financial staff. This jeopardizes the independence of the accounting firm and the objectivity of the audit.
	An RFP for audit services has not been issued for a number of years	<ul style="list-style-type: none"> To ensure competitive pricing, DuFAST should consider issuing an RFP for audit services every three to five years
Budgeting and Strategic Planning	Capital plans and budgets have not been routinely developed	<ul style="list-style-type: none"> The agency should take advantage of the new five-year capital forecast presented to PennDOT and use it as the foundation for an annual update as part of the Authority's annual budget development process
	Capital budget monitoring by project is not performed throughout the life of each project, but rather is examined at the conclusion of each project	<ul style="list-style-type: none"> Until DuFAST implements a new software package, actual capital expenditures can be exported to an Excel spreadsheet from QuickBooks and compared to budgeted values by project. This comparison can be used internally to monitor the financial progress of each capital project and can be incorporated in the monthly Board reporting package.
	No strategic planning is performed	<ul style="list-style-type: none"> A formal strategic plan should be developed and updated every three to five years
Cash and Debt Management	No cash flow statements or forecasts are prepared other than those contained in the audited financial statements	<ul style="list-style-type: none"> The need for cash flow forecasts will increase as reserve funds continue to be depleted. A simplified cash flow statement and forecast can be developed and updated using actual, budgeted, and adjusted revenues and expenditures. This management tool should be updated on a monthly basis.
Contracts and Grant Compliance	\$26,196 of local match operating funds to state Section 1513 funds from previous years remain on hand	<ul style="list-style-type: none"> PennDOT should require the agency to spend these funds prior to the end of the current fiscal year

Functional Area	Finding	Suggested Corrective Action
Financial Analysis and Cost Allocation	Route financial performance analysis results are derived by taking total costs and dividing by the number of routes	<ul style="list-style-type: none"> • Improve the existing analysis by allocating costs using operating statistics such as revenue miles, revenue hours and/or passengers
	No financial analysis was performed in 2009 for the implemented fare increase	<ul style="list-style-type: none"> • Some minimal analysis showing the estimated impact of increased fares on trips and revenues should be performed the next time a fare increase is considered
Procurement and Risk Management	Limited use of contracts and no use of purchase orders	<ul style="list-style-type: none"> • Legal counsel to the Authority can develop a standard purchase order and contract for services that DuFAST can use for the purchase of goods and services. At a minimum, large purchases, whose value should be determined by the Authority, should always be made with a purchase order or contract.