



**Report
to
The LEGISLATIVE FINANCE COMMITTEE**



North Central Regional Transit District
Operational Effectiveness and Oversight of the North Central Regional Transit District
April 10, 2014

Report #14-04

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April 10, 2014

Mr. Daniel Barrone, Chair
North Central Regional Transit District
1327 N. Riverside Drive
Española, New Mexico 87532

Dear Chairman Barrone:

On behalf of the Legislative Finance Committee (Committee), I am pleased to transmit the *Operational Effectiveness and Oversight of the North Central Regional Transit District*. The evaluator reviewed system productivity, cost management and oversight of the North Central Regional Transit District.

The report will be distributed to the Committee on April 10, 2014. The report was reviewed with agency staff at the exit conference which was conducted on April 3, 2014. The Committee would like a plan from the agency to address recommendations in this report within 30 days from the date of the hearing.

I believe this report addresses issues the committee asked us to review. We appreciate the cooperation and assistance from the agency's staff.

Sincerely,

A handwritten signature in cursive script that reads "David Abbey".

David Abbey, Director

Cc: Representative Luciano "Lucky" Varela, Chairman, Legislative Finance Committee
Senator John Arthur Smith, Vice-Chairman, Legislative Finance Committee
Representative Henry Kiki Saavedra, Legislative Finance Committee
Dr. Tom Clifford, Secretary, Department of Finance and Administration
Mr. Anthony Mortillaro, Executive Director, North Central Regional Transit District

Table of Contents

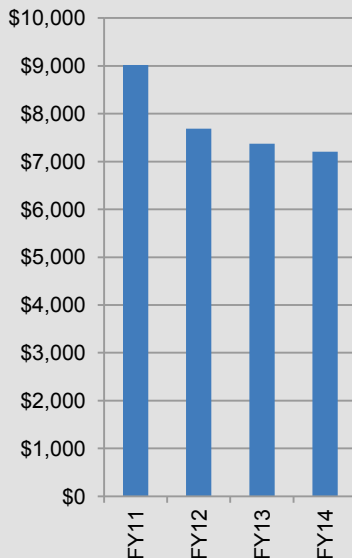
Page No.

EXECUTIVE SUMMARY	5
BACKGROUND INFORMATION	11
FINDINGS AND RECOMMENDATIONS	13
The North Central Regional Transit District Has Increased Ridership And Reduced Costs, Yet Just 24 Percent Of Seats Are Occupied And Cost Per Rider Can Exceed \$75	13
The North Central Regional Transit District Successfully Operates Within Its Means While Maintaining Strong Reserves, But The District Anticipates Budget Shortfalls Within The Next Decade	18
The North Central Regional Transit District Previously Struggled With Poor Financial Controls, But Has Made Significant Progress In Correcting These Issues.....	23
AGENCY RESPONSES	25
APPENDIX A: EVALUATION OBJECTIVES, SCOPE, AND METHODOLOGY	33
APPENDIX B: NCRTD ROUTE MAP	34
APPENDIX C: VEHICLE TYPE BY ROUTE.....	35
APPENDIX D: FY13 OCCUPANCY ANALYSIS BY ROUTE.....	36
APPENDIX E: NCRTD BOARD-APPROVED ROUTE MAP WITH FY15 SERVICE EXPANSIONS.....	37
APPENDIX F: FY13 AVERAGE GROSS RECEIPTS TAX RATE BY COUNTY	38
APPENDIX G: NCRTD ORGANIZATIONAL CHART	39

The North Central Regional Transit District (NCRTD) is comprised of four counties: Santa Fe, Rio Arriba, Taos and Los Alamos, covering an area of 10,079 square miles.

NCRTD receives federal funding and levies a regional gross receipts tax in its member counties.

GRT-Based Revenues FY11-FY14
(In thousands)



Note: FY14 based on budgeted data.
Source: RTD

NCRTD's FY13 operating budget totaled \$9.8 million.

In 2003, the Legislature authorized the creation of regional transit districts through the passage of the Regional Transit Act (73-25-1 NMSA 1978) with the purpose of providing an alternative form of transportation to personal vehicles. Regional transit districts operate as political subdivisions within the state of New Mexico.

There are four certified regional transits in New Mexico: North Central, Rio Metro, Southwest, and South Central. The North Central Regional Transit District (NCRTD) is comprised of four counties: Santa Fe, Rio Arriba, Taos and Los Alamos. NCRTD covers a service area of 10,079 square miles, operating out of its Española headquarters.

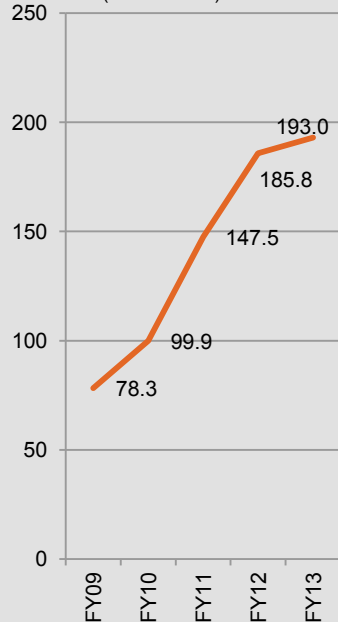
The mission of the North Central Regional Transit District is to provide safe, secure and effective public transportation within north central New Mexico in order to enhance the quality of life of its citizens by providing mobility options and spur economic development throughout the region. NCRTD directly serves 20 routes free of charge, including those it took over on behalf of the city of Española and Rio Arriba County. NCRTD routes connect with services provided by New Mexico Park and Ride (operated by the New Mexico Department of Transportation), Santa Fe Trails (operated by the city of Santa Fe), New Mexico Rail Runner Express (operated by the Rio Metro Regional Transit District), Atomic City Transit (operated by Los Alamos County), the Red River Miner (operated by the town of Red River) and the Chile Line (operated by the town of Taos.) NCRTD provides financial support to the NM Rail Runner, Santa Fe Trails, the Santa Fe Pick-Up shuttle, Atomic City Transit, and shuttle services for special events.

The North Central Regional Transit District receives federal funding facilitated through the New Mexico Department of Transportation (NMDOT). NMDOT receives federal grant funding on behalf of the state and distributes the funds through a memorandum of understanding with recipients such as NCRTD. NCRTD also receives gross receipts tax revenue (GRT) from county regional transit GRT increments pursuant to 70-20E-23 NMSA 1978. In 2008, voters in the four counties within the district approved a 1/8th increment gross receipts tax to fund NCRTD. There is a fifteen year life span on the GRT funding, requiring another ballot initiative in 2023. Additionally, Los Alamos County provides an annual contribution used as matching funds for federal grants.

This evaluation found that NCRTD is challenged with filling seats on Blue Bus routes and reducing costs on low performing routes, yet has managed to keep costs in line with revenues. However, the district has projected increases in costs will outpace revenues within the next decade. NCRTD has also made significant progress in reducing audit findings and building stronger controls to protect taxpayer dollars.

KEY FINDINGS

**Ridership
NCRTD-Operated
Routes
FY09-FY13**
(In thousands)



Source: NCRTD

For FY13, seat occupancy was 24.3 percent for NCRTD-operated Blue Bus routes.

Average cost per passenger was \$17.77 for FY13, but was as high as \$76.87 for the Los Alamos-Española-Pojoaque route.

The North Central Regional Transit District has increased ridership and reduced costs, yet just 24 percent of seats are occupied and cost per rider can exceed \$75. Between FY11 and FY13, ridership increased on NCRTD-operated routes while costs declined and productivity increased; however, NCRTD can increase ridership to maximize vehicle resources. Various measures exist to measure transit system effectiveness, including ridership, cost per mile, cost per passenger, and volume per mile and per hour. NCRTD garnered positive results in all of these indicators over the most recent three-year period. However, ridership is low compared to seats available on vehicles serving NCRTD routes.

In FY13, NCRTD had a seat occupancy rate of 24.3 percent for all Blue Bus routes. LFC staff quantified available seats on NCRTD's 20 fixed service routes based on one-way service either outbound or inbound from the route's point of origin. This data was then compared to total ridership for FY13 on each route. Eighteen of 20 routes had occupancy below 50 percent. Routes with greatest occupancy included Edgewood to Santa Fe (56.3 percent), Peñasco to Taos (53.2 percent) and Chama to Española (47.6 percent.) Lowest occupancy routes included Las Trampas and Española to Los Alamos, both with 9.5 percent occupancy, and Pojoaque to Nambé (11.8 percent.)

Cost per passenger and cost per mile decreased 0.6 percent and 2.7 percent respectively on NCRTD-operated routes. Total annual cost across all routes increased 3.3 percent between FY12 and FY13 to a total of \$3.4 million of route-operating costs in FY13. Therefore, the reduction in cost per passenger, from \$17.88 to \$17.30 between FY12 and FY13, is reflective of gains in ridership across the NCRTD Blue Bus system. Cost per mile assesses the financial resources required to operate routes. Vehicle miles increased 6.2 percent over two years, possibly due to increased frequency of route runs.

While cost per passenger decreased, it is still high when compared to transit options, such as taxis, used in other transit systems. In the case of NCRTD-operated routes, cost per passenger can range from \$6.44 (Española Riverside) to \$76.87 (Los Alamos-Española-Pojoaque.) Other transit jurisdictions have used taxi service as a way of reducing costs. LFC staff looked at the cost per mile for two service areas covered by NCRTD-operated routes and the rate per mile for taxi service providers located in the region. While taxi service was less expensive on pure cost per mile, there are caveats to consider in this comparison. NCRTD is federally-required to offer Americans with Disabilities Act-compliant (ADA) services, which incurs additional capital costs. The surveyed taxi service providers are not ADA-compliant, and associated costs with becoming compliant would increase taxi cost per mile.

NCRTD just completed a needs assessment and will implement changes that will save \$128 thousand annually.

In FY13, NCRTD contributed \$2 million to the NM Rail Runner.

FY13 Budgeted Sources and Uses
(In thousands)

Sources	
Federal Funding	\$1,918.0
Gross Receipts Tax	\$7,014.0
Los Alamos County Contribution	\$500.0
Misc	\$333.0
Total Sources:	\$9,765.0
Uses	
NM Rail Runner	\$1,824.0
Santa Fe Trails	\$982.0
Atomic City Transit (Los Alamos)	\$1,403.0
NCRTD Admin and Blue Buses	\$5,556.0
Total Uses:	\$9,765.0

Source: NCRTD

NCRTD received its first state capital outlay appropriation of \$170 thousand for FY14.

In an effort to increase service and manage costs, NCRTD benchmarks its performance and reviews routes annually. NCRTD publishes key performance measures monthly on its website, and reviews route performance annually to make adjustments to increase ridership and address route cost issues.

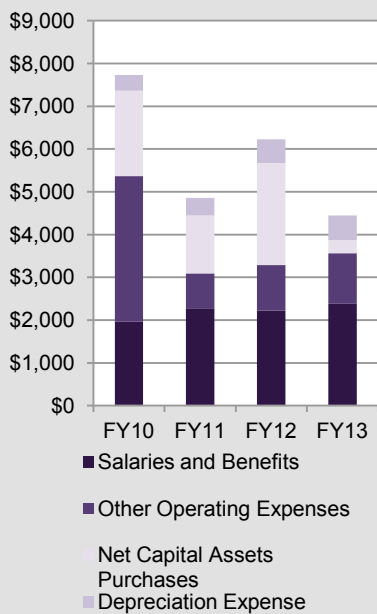
NCRTD outperformed its benchmarks in cost per passenger for FY13. NCRTD benchmarks key performance in cost per passenger and cost per trip against a two-county transit area (Sandoval and Valencia Counties) and the Federal Transit Administration (FTA) district that encompasses NCRTD's counties. For FY13, NCRTD routes performed 36 percent better than Sandoval and Valencia Counties, and 15 percent better than FTA District 6.

In FY14, NCRTD commissioned a study to assess public transit need and ways to improve productivity. NCRTD contracted KFH Group Inc. for \$150 thousand to complete a needs assessment and a recommended transit service plan along with implementation and funding strategies. KFH presented their recommendations to NCRTD's board in February 2014. Consultants recommended a mix of transit route updates, expansions and additions. KFH Group made recommendations for all 20 NCRTD-operated routes at an annual estimated cost reduction of \$128 thousand.

The North Central Regional Transit District successfully operates within its means while maintaining strong reserves, but the district anticipates budget shortfalls within the next decade. Economic conditions continue to impact gross receipt tax collections, reducing NCRTD's GRT-based revenues. A voter-approved 1/8th GRT increment generated an average of 92 percent of NCRTD's total GRT revenues between FY11 and FY14, with the remainder being a general fund contribution provided by Los Alamos County based on an agreement executed with NCRTD. Both revenue sources have declined as a result of economic conditions.

In FY14, NCRTD will distribute 63 percent of collected GRT revenues to other transit systems, including the NM Rail Runner, Atomic City Transit and Santa Fe Trails. As the legal recipient of transit gross receipt tax revenues for the four-county district, NCRTD distributes approximately 60 percent of these revenues to other transit systems operating within the district. By agreement with Santa Fe County, 50 percent of GRT collected within the county for transit is distributed to the NM Rail Runner, operated by the Rio Metro Regional Transit District. In FY13, NCRTD transferred \$2 million to Rio Metro to fulfill this agreement. Additionally, Santa Fe County requires that of the remaining revenues, 86 percent must address transit needs within the city and county of Santa Fe. NCRTD provides funding to support Santa Fe Trails, operated by the city of Santa Fe, totaling \$982 thousand for FY13. NCRTD also contributes to the operation of Los Alamos municipal transit through Atomic City Transit (\$1.4 million.) Remaining GRT revenues are allocated to NCRTD-operated Blue Bus routes and capital needs.

NCRTD Expenditures FY10-FY13 (In thousands)



Source: NCRTD

NCRTD forecasts expenditures could begin to outpace revenues starting in FY15.

NCRTD's previous administration had numerous audit findings related to late audit submission, missing documentation and financial duties not being properly segregated.

NCRTD receives federal funding through various allocations, which in FY14 will account for 21 percent of NCRTD's total budget. NCRTD receives federal dollars most consistently from three specific programs: the Formula Grant for Other than Urban Areas, the Job Access and Reverse Commute program, and the Metropolitan and Statewide Planning program. The Formula Grant for Other than Urban Areas is a formula-based funding program to support public transportation in rural areas of less than 50 thousand residents, and accounted for 84 percent of NCRTD's federal funding for FY13 (\$1.4 million.)

In FY14, NCRTD received \$170 thousand in state capital outlay funds to purchase vehicles. Previously, capital purchases were funded through federal grants and GRT revenues within NCRTD's budget.

Two-thirds of NCRTD's salary expense is related to direct operations including drivers, supervisors, and fleet and facilities maintenance. As of April 2014, NCRTD had 11 administrative positions and 39 operational positions, including 37 drivers for NCRTD-operated Blue Bus routes. Transit drivers and customer service representatives are union-represented, and a collective bargaining agreement is in place. The most recent agreement is through the end of FY14.

In FY15, NCRTD anticipates expenses to operate the district will begin to exceed collected revenues by 5 percent, projecting this deficit to grow as high as 10 percent in FY22. NCRTD applied a growth rate of 3 percent for GRT revenues, federal funding and inflation to operating and maintenance costs. NCRTD's board requires cash reserves of 25 percent of operating revenues, and for FY13 had \$4.3 million more in reserves than the minimally-required \$2.4 million. However, with the projected growth in expenses, NCRTD will need to start drawing on reserves in FY15 and the district anticipates falling below 25 percent reserves in FY18 and reserves moving into a negative position in FY22.

The North Central Regional Transit District previously struggled with poor financial controls but has made significant progress in correcting these issues. A review of NCRTD financial audits for FY10 showed various financial control deficiencies, many of which were resolved in FY11 and FY12. Auditors identified control issues including late submission of audits to the State Auditor, missing documentation for disbursements, financial duties not being properly segregated, and significant restatement of accounts on the general ledger.

Before FY11, NCRTD neither segregated duties appropriately nor consistently followed approval processes to ensure proper oversight of financial activities. Auditors expressed concern over cash, payroll and disbursement functions because one person was able to enter data into the general ledger, make deposits to the bank and print disbursement and payroll checks, as well as investigate issues, reconcile account balances and create journal entries in the general ledger. Furthermore, auditors found evidence of journal entries not being properly approved by management and checks missing required co-signatures. Not maintaining sufficient controls could increase risk of fraud, waste, and abuse of NCRTD funds.

Since 2008, NCRTD has had a material weakness finding relating to correcting entries required for general ledger accuracy.

NCRTD corrected previously poorly-defined expense policies that had posed risk around appropriate use of funds.

The only finding in NCRTD's FY13 audit was a repeat finding related to corrections needed to ensure accurate financial statements. Dating back to FY08, auditors have identified correcting entries required in the general ledger. In FY10 and FY11, auditors identified corrections totaling \$1.3 million and \$1.6 million respectively. Auditors stated corrections were required to have accurate beginning balances for the subsequent fiscal year. Management stated that FY11 year-end journal entries had not been posted due to staff attrition, causing the incorrect beginning balances for FY12. For FY13, auditors noted adjustments totaling \$1.2 million related to reclassifying items booked as expense to capital assets and adjusting depreciation.

Previous policies and procedures around expenses were not clearly defined and did not match best practice standards. Various audit findings in FY10, which repeated or were modified in FY11, revolved around poorly-defined controls related to staff expenditures and travel and per diem, resulting in inappropriate expenses and increased risk around NCRTD funds.

NCRTD's previous executive director had access to a debit card linked directly to NCRTD's operating account, which in FY10 had a year-end balance of \$3.7 million. While purchases were limited to \$1 thousand per day on the debit card, the previous executive director and previous finance manager both had the authority to alter this limit. There was little to no oversight to ensure debit purchases had a valid business purpose, there was no approval process or procurement code in place for purchases made with the debit card, and finance staff did not have a mechanism to question purchases, as the director had been given broad authority to make purchases as deemed necessary.

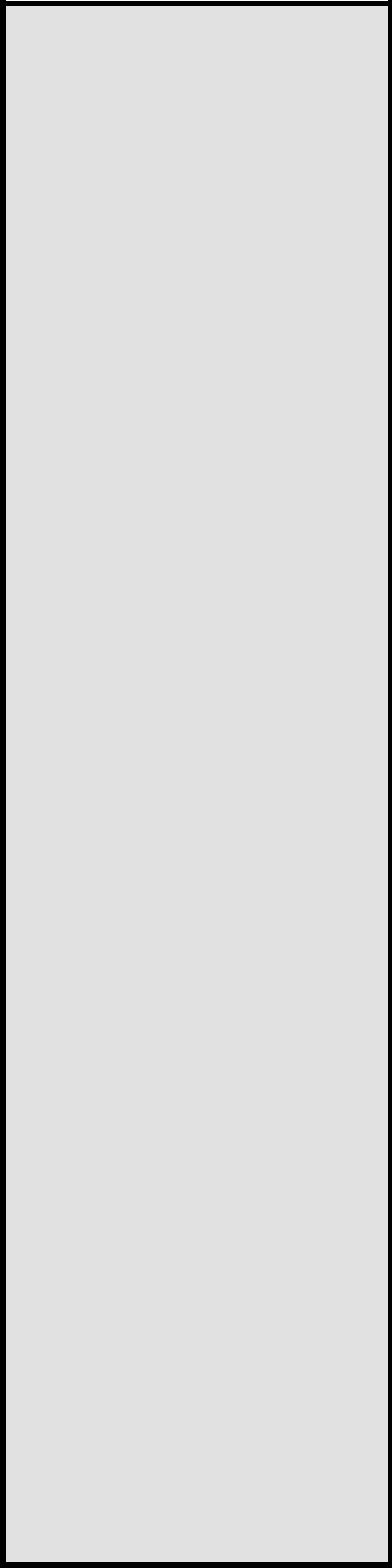
Lack of a clearly defined per diem policy resulted in inconsistent reimbursement and reduced control over expenditures. Prior to FY11, NCRTD did not have a clear per diem policy, leading employees to inconsistently apply federal and state reimbursement rates. Auditors stated this practice gave the appearance employees were selecting reimbursement at the most advantageous rate. The audit also noted the appearance of a lack of supervision over these expense claims. Additionally, non-business related expenses were reported related to travel of the previous executive director.

KEY RECOMMENDATIONS

The North Central Regional Transit District should:

Continue to examine alternatives like dial-a-ride, taxi or pre-scheduled service to reduce fixed routes costs on low ridership routes;

Foster benchmarking relationships with other similar rural transit systems to better measure system performance and access best practices to increase ridership and manage costs;



Report to the Legislature on use of state capital outlay funds, including plans for vehicle depreciation, disposal and replacement when appropriate; and

Continue to address audit findings in a timely fashion to avoid repeat findings.

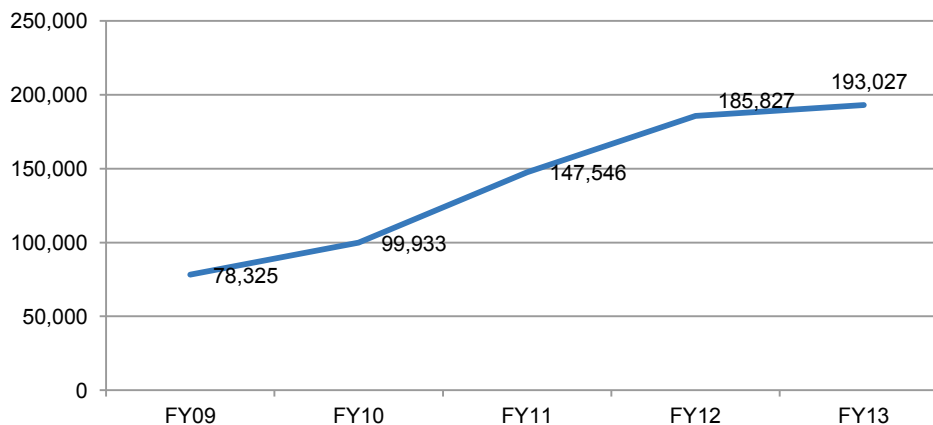
BACKGROUND INFORMATION

In 2003, the Legislature authorized the creation of regional transit districts through the passage of the Regional Transit Act (73-25-1 NMSA 1978) with the purpose of providing an alternative form of transportation to personal vehicles. Regional transit districts operate as political subdivisions within the state of New Mexico.

There are four certified regional transits in New Mexico: North Central, Rio Metro, Southwest, and South Central. The North Central Regional Transit District (NCRTD) is comprised of four counties: Santa Fe, Rio Arriba, Taos and Los Alamos. NCRTD covers a service area of 10,079 square miles as shown on the route map in **Appendix B**. NCRTD maintains a board of directors of 13 elected officials from communities within the district and one ex-officio member representing the Rio Metro Regional Transit District. NCRTD submits its budget to the Local Government Division of the Department of Finance and Administration and is subject to the Audit Act (12-6 NMSA 1978.) NCRTD operates out of its Española headquarters.

The mission of the North Central Regional Transit District is to provide safe, secure and effective public transportation within north central New Mexico in order to enhance the quality of life of its citizens by providing mobility options and spur economic development throughout the region. NCRTD directly serves 20 routes free of charge, including those it took over on behalf of the city of Española and Rio Arriba County. NCRTD routes connect with services provided by New Mexico Park and Ride (operated by the New Mexico Department of Transportation), Santa Fe Trails (operated by the city of Santa Fe), Atomic City Transit (operated by Los Alamos County), the Red River Miner (operated by the town of Red River), the New Mexico Rail Runner Express (operated by the Rio Metro Regional Transit District), and the Chile Line (operated by the city of Taos.) NCRTD also provides free on-demand transit services for Americans with Disabilities Act-qualified (ADA) persons and for a fare for non-ADA-qualified passengers within a specific radius of Rio Arriba County. NCRTD provides financial support to the New Mexico Rail Runner, Santa Fe Trails, the Santa Fe Pick-Up shuttle, Atomic City Transit, and shuttle services for special events.

**Chart 1. NCRTD Ridership
FY09-FY13**



Source: NCRTD Annual Reports

The North Central Regional Transit District receives federal funding facilitated through the New Mexico Department of Transportation (NMDOT). NMDOT receives federal grant funding on behalf of the state and distributes the funds through a memorandum of understanding with recipients such as NCRTD. NCRTD also levies a regional transit gross receipts tax (GRT) from counties in the district pursuant to 70-20E-23 NMSA 1978. In 2008, voters in the four counties within the district approved a 1/8th increment gross receipts tax to fund NCRTD.

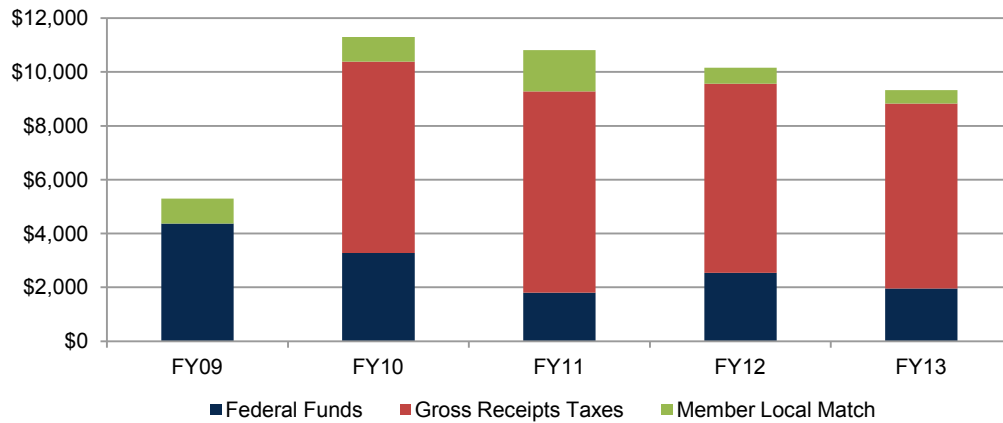
North Central Regional Transit District, Report #14-04

Operational Effectiveness and Oversight of the North Central Regional Transit District

April 10, 2014

The GRT funding has a 15-year life span, requiring another ballot initiative in 2023. Additionally, Los Alamos County provides an annual contribution used as matching funds for federal grants, which as of the publishing of this report, had been negotiated through FY15.

**Chart 2. NCRTD Revenues
FY09-FY13**
(in thousands)



Note: GRT revenue first collected in FY10.

Source: NCRTD

FINDINGS AND RECOMMENDATIONS

THE NORTH CENTRAL REGIONAL TRANSIT DISTRICT HAS INCREASED RIDERSHIP AND REDUCED COSTS, YET JUST 24 PERCENT OF SEATS ARE OCCUPIED AND COST PER RIDER CAN EXCEED \$75

Between FY12 and FY13, ridership increased on NCRTD-operated routes while costs declined and productivity increased; however, NCRTD can increase ridership to maximize vehicle resources. Various measures exist to measure transit system effectiveness, including ridership, cost per mile, cost per passenger, and volume per mile and per hour. NCRTD garnered positive results in all of these indicators over the most recent three-year period. However, ridership is low compared to seats available on vehicles serving NCRTD routes.

**Table 1. Select NCRTD Route Productivity Statistics
FY12 - FY13**

	Española to Santa Fe	Pojoaque to Nambé	Chama to Española	San Ildefonso	Chimayo to Las Trampas	Los Alamos-Española-Pojoaque
2-Year Average Ridership	24,728	5,202	2,590	3,373	2,124	1,389
2-Year Average Cost per Passenger	\$6.51	\$58.03	\$49.72	\$34.78	\$72.79	\$81.58
Change in Cost per Passenger	2.1%	58.7%	-31.7%	23.9%	-7.4%	-10.9%
2-Year Average Cost per Mile	\$3.68	\$4.56	\$2.65	\$3.58	\$4.16	\$3.38
Change in Cost per Mile	-14.8%	-0.6%	-17.8%	-48.5%	3.3%	0.9%

Source: NCRTD

In FY13, NCRTD had a seat occupancy rate of 24.3 percent for all Blue Bus routes. Guidelines disseminated to transit grant recipients thorough NMDOT define a passenger trip as a one-way trip from origin to destination. Using this as a basis, LFC staff quantified available seats on NCRTD's 20 fixed service routes based on one-way service either outbound or inbound from the route's point of origin. This data was then compared to total ridership for FY13 on each route. Eighteen of 20 routes had occupancy below 50 percent. Routes with greatest occupancy included Edgewood to Santa Fe (56.3 percent), Peñasco to Taos (53.2 percent) and Chama to Española (47.6 percent.) Lowest occupancy routes included Las Trampas and Española to Los Alamos, both with 9.5 percent occupancy, and Pojoaque to Nambé (11.8 percent.) Occupancy analysis for all NCRTD-operated routes is included in **Appendix D**.

While overall ridership on NCRTD-operated routes increased 12.5 percent between FY11 and FY13, opportunities exist to address ridership issues on specific routes. NCRTD serves various consumers, including those with minimal or no vehicle access, students, commuters and the disabled, which causes NCRTD to operate a diverse variety of routes. For example, the Española to Santa Fe route could be considered a commuter route, whereas the Pojoaque to Nambé route could be considered rural, serving a different type of consumer. These routes have performed very differently in the last three years. In FY13, the Española to Santa Fe route served over 22 thousand passengers, an increase of 34 percent since FY11. On the other hand, the Pojoaque to Nambé route served 2,000 passengers in FY13, a reduction of 48 percent over the same time period. In an analysis completed as part of NCRTD's FY14 needs assessment, consultants noted the Pojoaque route was not direct, bus stops were not located convenient to riders, some stop times were poorly scheduled and more stops were needed. All of these factors could contribute to low ridership.

Conversely, NCRTD started offering service from Edgewood to Santa Fe in FY12. Between FY12 and FY13, ridership increased 53 percent. According to a customer service survey conducted in FY12, riders wanted more service as riders were turned away due to lack of capacity. NCRTD currently operates a 28-passenger vehicle for this route. Increasing capacity could involve purchasing a larger vehicle and ensuring drivers are adequately credentialed to drive the larger vehicle.

North Central Regional Transit District, Report #14-04

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Cost per passenger and cost per mile decreased 0.6 percent and 2.7 percent respectively on NCRTD-operated routes. Total annual cost across all routes increased 3.3 percent between FY12 and FY13 to a total of \$3.4 million of route-operating costs in FY13. Therefore, the reduction in cost per passenger, from \$17.88 to \$17.30 between FY12 and FY13, is reflective of ridership gains across the NCRTD Blue Bus system. In this category, the Pojoaque to Nambé route again performed poorly, with cost per passenger increasing 59 percent. The Chama to Española route showed improvement, reducing cost per passenger 32 percent between FY12 and FY13. This route was increased from two to three days a week in FY14, increasing ridership by 73 percent.

Cost per mile assesses the financial resources required to operate routes. Vehicle miles increased 6.2 percent over two years, possibly due to increased frequency of route runs. A strong performer in cost per mile was the San Ildefonso route, reducing its cost per mile 49 percent in the last two years. Vehicle miles have more than doubled between FY12 and FY13, and passenger totals increased 81 percent in FY12. This route connects San Ildefonso Pueblo with various Park and Ride routes operated by NMDOT, as well as other NCRTD routes, making it a good example of a feeder route.

While cost per passenger decreased, it is still high when compared to transit options, such as taxis, used in other transit systems. In the case of NCRTD-operated routes, cost per passenger can range from \$6.44 (Española Riverside) to \$76.87 (Los Alamos-Española-Pojoaque.) Other transit jurisdictions have used taxi service as a way of reducing costs. The county of Arlington, Virginia introduced taxis to serve ADA passengers, with a cost of \$20.50 per passenger, as opposed to the previous service cost of \$35.00 per passenger, a savings of 41 percent.

LFC staff looked at the cost per mile for two service areas covered by NCRTD-operated routes and the rate per mile for taxi service providers located in the region. While taxi service was less expensive on pure cost per mile, there are caveats to consider in this comparison. NCRTD is federally-required to offer Americans with Disabilities Act-compliant (ADA) services, which incurs additional capital costs. The surveyed taxi service providers are not ADA-compliant, and associated costs with becoming compliant would increase taxi cost per mile. Furthermore, fixed route service, such as what NCRTD Blue Buses offer, is designed to minimize downtime, where a vehicle has to return to a point of origin without the potential of carrying passengers. Customized route service, such as what taxis provide, could incur additional costs either through downtime while awaiting the opportunity to make a return trip with the same passenger or a return trip without a passenger.

Table 3. Cost per Mile for Select NCRTD Routes and Taxi Service Providers

Service Provider	Route	Cost per Mile	ADA compliant (Y/N)
Taos Area			
NCRTD	UNM Klauer (Taos)	\$7.03	Y
NCRTD	Red River	\$6.04	Y
NCRTD	Penasco to Taos	\$3.54	Y
NCRTD	Questa to Taos	\$3.37	Y
NCRTD	Taos to Espanola	\$2.53	Y
Taos-Based Taxi & Shuttle Service Provider	Determined by Passenger	\$2.17*	N
Santa Fe Area			
NCRTD	NM 599	\$4.50	Y
NCRTD	Tesuque to Santa Fe	\$3.92	Y
NCRTD	Espanola to Santa Fe	\$3.39	Y
NCRTD	Eldorado	\$3.15	Y
NCRTD	Santa Clara to Espanola/Santa Fe	\$3.08	Y
Santa Fe-Based Taxi Service Provider	Determined by Passenger	\$3.00 + \$2.85 flat fee**	N

Notes: *Does not include fees for wait time due to passenger, any potential fees for one-way trips if a vehicle returns to base of operations without a patron, or capital costs for ADA compliance,

**In addition to previous note, rate does not include additional passenger flat fee of \$1.50.

Source: NCRTD and Select Taxi Service Providers

However, in a survey of 19 cities using taxis in their transit system, 17 responded taxis offered increased flexibility during both off-peak hours and peak hours, as well as service in hard-to-reach areas. While taxis cannot provide service that meets NCRTD's federally-mandated requirements at this time, NCRTD would benefit from continuing to review transit alternatives to increase productivity and manage costs.

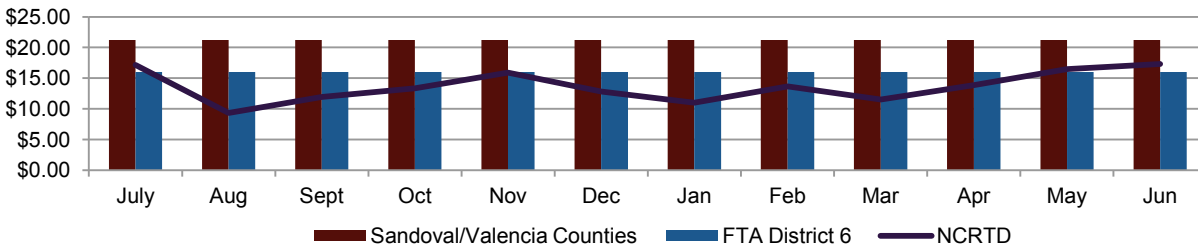
NCRTD routes also increased one-way passenger trips per hour between FY11 and FY12 by 21 percent. One-way passenger trips per revenue hour is considered a key productivity indicator for public transit. In FY12, this indicator increased to 4.14 average one-way passenger trips per hour from 3.42 trips in FY11 across all NCRTD routes. Once again, the San Ildefonso and Chama to Española routes showed the greatest gains in productivity at 80 percent and 72 percent respectively.

Another productivity measure is one-way passenger trips per revenue mile. In FY12, the NCRTD system average was 0.21 average trips per mile. In 2010, Texas did a similar review of its rural and urban transit system, and across all rural transit areas, average one-way passenger trips per revenue mile totaled 0.20.

In an effort to increase service and manage costs, NCRTD benchmarks its performance and reviews routes annually. NCRTD publishes key performance measures monthly on its website, and reviews route performance annually to make adjustments to increase ridership and address route cost issues.

NCRTD outperformed its benchmarks in cost per passenger for FY13. NCRTD benchmarks key performance in cost per passenger and cost per trip against a two-county transit area (Sandoval and Valencia Counties) and the Federal Transit Administration (FTA) district that encompasses NCRTD's counties. For FY13, NCRTD routes performed 36 percent better than Sandoval and Valencia Counties, and 15 percent better than FTA District 6, as shown in Chart 3. NCRTD has expressed concerns in finding a similar district in population density, socioeconomic profile, and size with whom to benchmark, but considers these two entities a good starting point for analysis.

Chart 3. FY13 NCRTD Cost per Passenger Benchmarked



Source: NCRTD

NCRTD reports monthly performance on administration of its transit system, status of its vehicle fleet and customer relations. NCRTD reports on various performance measures as listed in Table 4.

Table 4. NCRTD Performance Measures

Administrative:
Ridership, All Funded Routes
Ridership, NCRTD-Operated Routes
Monthly Expenditures
Cost per Mile
Cost per Passenger Trip
Fleet:
Vehicle Back-Up Ratio
Average Vehicle Age
Percentage of "On-Time" Preventive Maintenance/Inspections
Accidents, Major/Minor
Customer Relations:
Complaints
Incidents

Source: NCRTD

NCRTD reports on monthly administrative and operational expenditures, stating it allows management to target funding when creating future budgets and requesting federal funding. The district also tracks its active and spare vehicles. The Federal Transit Administration (FTA) recommends maintaining a spare vehicle ratio of 20 percent for fleets over 50 vehicles. At the end of FY13, NCRTD maintained 26 active transit vehicles, with five spare vehicles for a spare ratio of 19 percent. Furthermore, NCRTD tracks customer complaints and customer incidents occurring on transit vehicles. For FY13, customer complaints comprised 0.03 percent of total ridership and incidents on vehicles totaled 0.06 percent. NCRTD also tracks accidents, and for FY13, there were four minor accidents and 1 major accident. A major accident involves significant damage and/or injury and FTA requires a post-accident drug screen for the vehicle driver.

In FY14, NCRTD commissioned a study to assess public transit need and ways to improve productivity. NCRTD contracted KFH Group Inc. for \$150 thousand to complete a needs assessment and a recommended transit service plan along with implementation and funding strategies. KFH presented their recommendations to NCRTD's board in February 2014.

Consultants recommended a mix of transit route updates, expansions and additions. KFH Group made recommendations for all 20 NCRTD-operated routes at an annual estimated cost reduction of \$128 thousand. The NCRTD board approved revisions to all 20 routes including:

- **Pojoaque to Nambé-** Transition service to dial-a-ride, with two service options: standing order dial-a-ride, which would be scheduled in advance, and demand service, which would be dispatched as needed.

- **UNM Taos Campus-** Eliminate route duplication with Taos Chile Line, expanding their service route 1.5 miles to match previous Blue Bus route, reducing annual cost from \$153 thousand to \$15 thousand.
- **Española to Santa Fe-** Adjust Santa Clara and Tesuque routes into Santa Fe to be included in Española to Santa Fe schedule. Also adjust schedule to coincide with connections and not duplicate service with New Mexico Park and Ride.
- **Chama to Española-** Expand service to five days a week, add new stops, most notably between Ghost Ranch and US 285, and time the route to connect to other routes. Cost will increase \$61 thousand.

The board also adopted route expansion recommendations into Golden and Tres Piedras as noted on the map in **Appendix E**, at an estimated cost of \$12 thousand annually. NCRTD plans to conduct a six-month pilot to test service expansion recommendations prior to making permanent service changes.

Recommendations

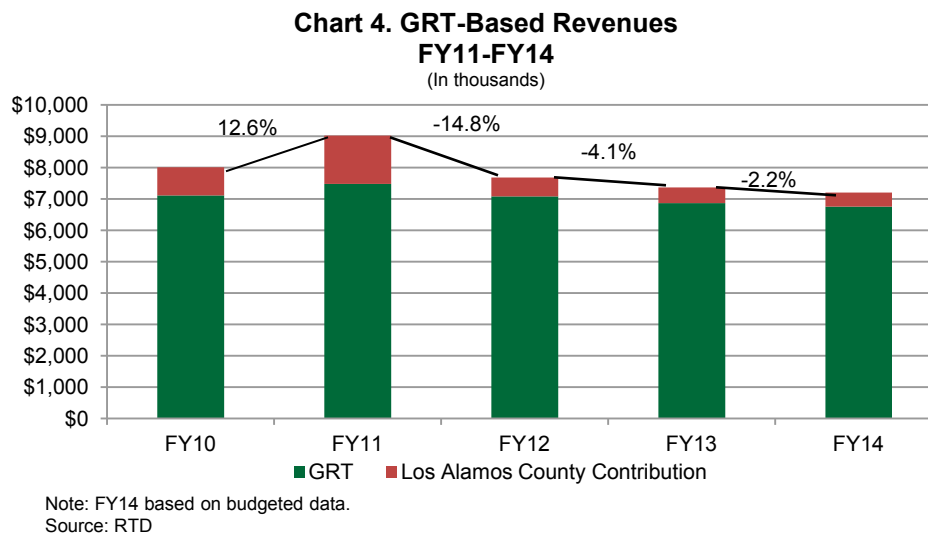
The North Central Regional Transit District should:

- Continue to examine alternatives like dial-a-ride, taxi or pre-scheduled service to reduce fixed routes costs on low ridership routes and
- Foster benchmarking relationships with other similar rural transit systems to better measure system performance and access best practices to increase ridership and manage costs.

THE NORTH CENTRAL REGIONAL TRANSIT DISTRICT SUCCESSFULLY OPERATES WITHIN ITS MEANS WHILE MAINTAINING STRONG RESERVES, BUT THE DISTRICT ANTICIPATES BUDGET SHORTFALLS WITHIN THE NEXT DECADE

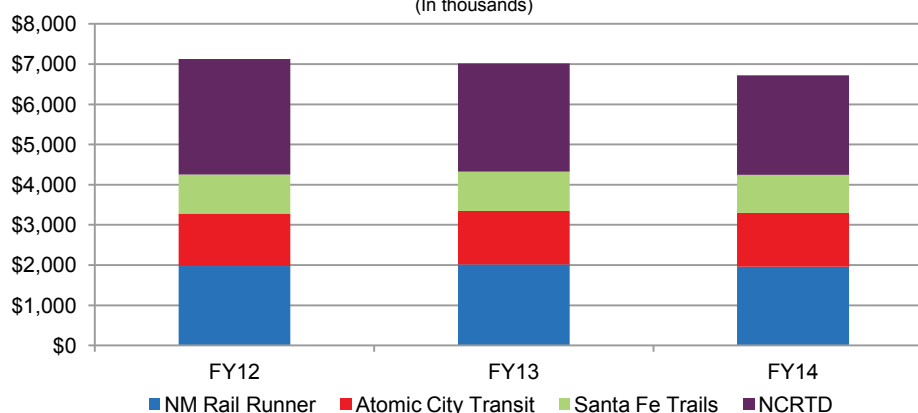
The North Central Regional Transit District (NCRTD) operates on a budget comprised of gross receipt tax revenue, federal grants and county contributions. For FY14, NCRTD stated anticipated gross receipt tax (GRT) revenues from member counties comprise 72 percent of its budget, followed by federal allocations of 21 percent and a contribution from Los Alamos County of 4.8 percent.

Economic conditions continue to impact gross receipt tax collections, reducing NCRTD's GRT-based revenues. A voter-approved 1/8th GRT increment generated an average of 92 percent of NCRTD's total GRT revenues between FY11 and FY14, with the remainder being a general fund contribution provided by Los Alamos County based on an agreement executed with NCRTD. Both revenue sources declined as a result of economic conditions. GRT revenues dropped from \$7.5 million in FY11 to an estimated \$6.8 million for FY14. This also affected Los Alamos County's contribution to NCRTD, bringing the total to \$450 thousand for FY14, steadily reduced from \$1.5 million in FY11.



In FY14, NCRTD will distribute 63 percent of collected GRT revenues to other transit systems, including the NM Rail Runner, Atomic City Transit and Santa Fe Trails. As the legal recipient of transit gross receipt tax revenues for the four-county district, NCRTD distributes approximately 60 percent of these revenues to other transit systems operating within the district. By agreement with Santa Fe County, 50 percent of GRT collected within the county for transit is distributed to the NM Rail Runner, operated by the Rio Metro Regional Transit District. In FY13, NCRTD transferred \$2 million to Rio Metro to fulfill this agreement. Additionally, Santa Fe County requires that of the remaining revenues, 86 percent must address transit needs within the city and county of Santa Fe. NCRTD provides funding to support Santa Fe Trails, operated by the city of Santa Fe, totaling \$982 thousand for FY13. NCRTD also contributes to the operation of Los Alamos municipal transit through Atomic City Transit (\$1.4 million). Remaining GRT revenues are allocated to NCRTD-operated Blue Bus routes and capital needs.

**Chart 5. GRT Revenue Distribution
FY12-FY14**
(In thousands)



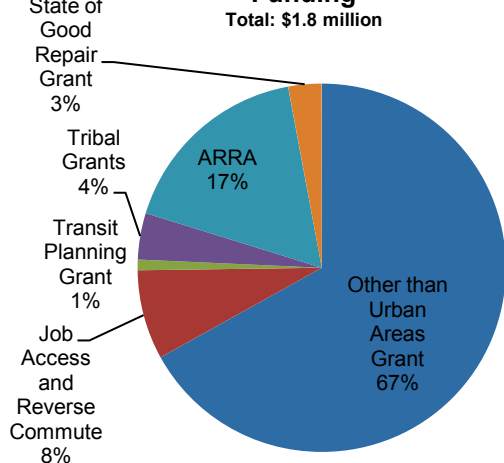
Note: FY14 based on budgeted data.
Source: RTD

Counties within the North Central Regional Transit District (NCRTD) fall within the top third of highest GRT rates in the state. Voters within the counties of Santa Fe, Rio Arriba, Los Alamos, and Taos each collectively passed a 1/8th GRT increment to support the function of NCRTD. When looking at all 33 New Mexico counties, these four counties fall in the top third for highest average GRT rates, with the lowest rate in Santa Fe County (7.19 percent), and the highest rate in Taos County (7.73 percent). The base state gross receipts tax rate is 5.125 percent and the statewide average is 7 percent (**Appendix F**).

While funding NCRTD through GRT does increase tax rates of member counties, it is seen as a consistent funding method for regional transit. NCRTD was reviewed as part of a larger case study for the American Public Transportation Association in 2011. The study cited NCRTD as an example of a system allowing for public transit expansion in a multi-county region with the ability to generate revenues through taxation, providing for revenue reliability. In contrast, Austin, Texas has faced challenges in addressing increased demand for public transit due to a cap placed on tax increases in counties.

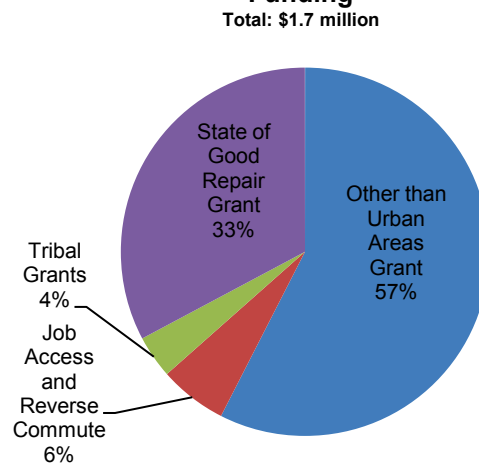
NCRTD receives federal funding through various allocations, which in FY14 will account for 21 percent of NCRTD's total budget. NCRTD receives federal dollars most consistently from three specific programs: the Formula Grant for Other than Urban Areas, the Job Access and Reverse Commute program, and the Metropolitan and Statewide Planning program. The Formula Grant for Other than Urban Areas is a formula-based funding program to support public transportation in rural areas of less than 50 thousand residents, accounting for 84 percent of NCRTD's federal funding for FY13 (\$1.4 million). In FY14, NCRTD received a \$334 thousand Veterans Initiative grant to improve access to transit services for veterans residing within the district.

Chart 6. FY11 NCRTD Federal Funding



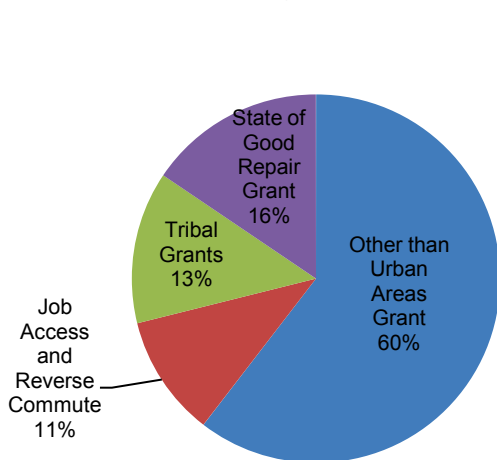
Source: NCRTD

Chart 7. FY12 NCRTD Federal Funding



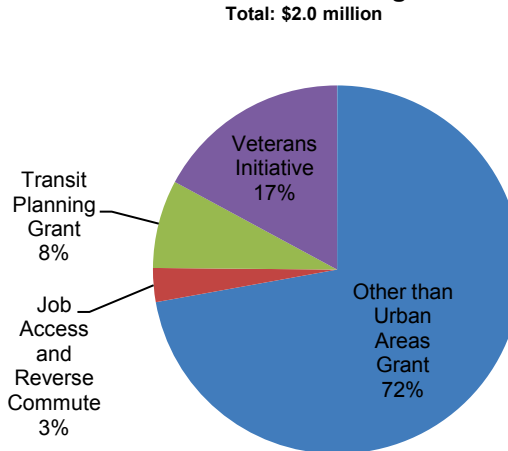
Source: NCRTD

Chart 8. FY13 RTD Federal Funding



Source: NCRTD

Chart 9. FY14 Budgeted NCRTD Federal Funding

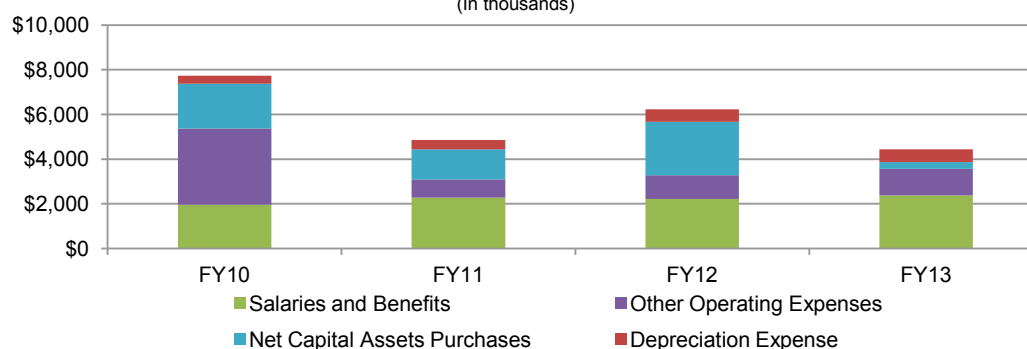


Source: NCRTD

In FY14, NCRTD received \$170 thousand in state capital outlay funds to purchase vehicles. Previously, capital purchases were funded through federal grants and GRT revenues within NCRTD's budget. Between FY11 and FY12, NCRTD received a \$599 thousand federal grant for state of good repair for vehicle replacement, as well as \$617 thousand from other federal sources. The \$170 thousand the Legislature appropriated in capital outlay funding is the only state revenue in NCRTD's FY14 budget.

Top expenses for NCRTD include payroll and capital expenditures. Between FY11 and FY13, NCRTD total expenses have dropped an average of 1.1 percent, however FY14 budgeted expenses are expected to grow 9 percent, driven by increases in capital purchases.

**Chart 10. NCRTD Expenditures
FY10-FY13**
(In thousands)



Note: Capital assets are net of funds received from asset disposal.
Source: RTD

Two-thirds of NCRTD's salary expense is related to direct operations including drivers, supervisors, and fleet and facilities maintenance. As of April 2014, NCRTD had 11 administrative positions and 39 operational positions, including 37 drivers for NCRTD-operated Blue Bus routes (**Appendix G**). Transit drivers and customer service representatives are union-represented, and a collective bargaining agreement is in place. The most recent agreement is through FY14. The NCRTD board, in response to state law enacted in 2013 increasing PERA contributions for state employees earning greater than \$20 thousand annually (Laws 2013, Ch. 225), resolved to pay 75 percent of the 1.5 percent increase for all employees impacted.

Between FY11 and FY13, NCRTD spent \$1.7 million each on vehicles and the remodeling of a building. The building remodel was funded by federal funds, GRT revenues and fund balances. It serves as the hub of NCRTD operations and administration. Vehicles purchased are funded by federal grants or GRT revenues. Vehicles purchased using federal funds are required to have the New Mexico Department of Transportation as the lien holder. Other capital expenditures include vehicle improvements, communications and surveillance equipment and bus shelters and benches.

NCRTD maintains a total vehicle fleet of 46 vehicles, 14 of which are eligible for disposal under federal guidelines. The Federal Transit Administration, which distributes grants for public transit, provides the below guidance to transit operators for the disposal of vehicles:

Table 5. Federal Transit Administration Vehicle Useful Life Guidelines

Category	Select Typical Characteristics		Minimum Life (Whichever Comes First)	
	Seats	Average Cost	Years	Miles
Heavy Duty Large Bus	27-40	\$325,000-over \$600,000	12	500,000
Heavy Duty Small Bus	26-35	\$200,000-\$325,000	10	350,000
Medium Duty and Purpose-Built Bus	22-30	\$75,000-\$175,000	7	200,000
Light Duty Mid-Sized Bus	16-25	\$50,000-\$65,000	5	150,000
Light Duty Small Bus, Cutaways, and Modified Van	10-22	\$30,000-\$40,000	4	100,000

Source: NMDOT Rail and Transit Division

The guidelines provide for transit operators to dispose of vehicles by either mileage or age in years. NCRTD uses the years definition for financial depreciation of vehicles. NCRTD prefers to use mileage as its benchmark, as the district covers over 10 thousand square miles and in FY13 alone, NCRTD Blue Buses traveled 977 thousand miles. For FY13, NCRTD brought four vehicles before the board for authorization for disposal. All four vehicles exceeded the minimum life in miles and years and were either in need of major repair or lifetime repairs exceeded 75 percent of vehicle purchase price.

In FY15, NCRTD anticipates expenses to operate the district will begin to exceed collected revenues by 5 percent, projecting this deficit to grow as high as 10 percent in FY22. NCRTD applied a growth rate of 3 percent for GRT revenues, federal funding and inflation to operating and maintenance costs. NCRTD's board requires cash reserves of 25 percent of operating revenues, and for FY13 had \$4.3 million more in reserves than the minimally-required \$2.4 million. However, with the projected growth in expenses, NCRTD will need to start drawing on reserves in FY15 and the district anticipates falling below 25 percent reserves in FY18 and reserves moving into a negative position in FY22.

Recommendations

The North Central Regional Transit District should:

- Report to the Legislature on use of state capital outlay funds, including plans for vehicle depreciation, disposal and replacement when appropriate;
- Continue to forecast revenues and expenditures to avoid budget shortfalls while minimizing service impact and
- Study options to reduce recurring costs such as for vehicle fuel.

THE NORTH CENTRAL REGIONAL TRANSIT DISTRICT PREVIOUSLY STRUGGLED WITH POOR FINANCIAL CONTROLS, BUT HAS MADE SIGNIFICANT PROGRESS IN CORRECTING THESE ISSUES

A review of NCRTD financial audits for FY10 showed various financial control deficiencies, many of which were resolved in FY11 and FY12. Auditors identified control issues including late submission of audits to the State Auditor, missing documentation for disbursements, financial duties not being properly segregated, and significant restatement of accounts on the general ledger.

The previous NCRTD administration had not turned in annual financial audits on time to the State Auditor since 2006. For FY10, the audit was submitted in September 2011, almost 10 months after the due date of December 1, 2010. Furthermore, federally-required forms due nine months after fiscal year-end were not submitted timely. NCRTD stated the delay was related to an issue with their fiscal agent in FY07 and continued through FY10. NCRTD presented timely audits to the State Auditor for FY11-FY13.

Before FY11, NCRTD neither segregated duties appropriately nor consistently followed approval processes to ensure proper oversight of financial activities. Auditors expressed concern over cash, payroll and disbursement functions because one person was able to enter data into the general ledger, make deposits to the bank and print disbursement and payroll checks, as well as investigate issues, reconcile account balances and create journal entries in the general ledger. Furthermore, auditors found evidence of journal entries not being properly approved by management and checks missing required co-signatures. Not maintaining sufficient controls could increase risk of fraud, waste, and abuse of NCRTD funds. At the time, NCRTD stated a lack of finance staff contributed to this issue and more staff would be hired to properly segregate duties. NCRTD now employs a finance director and two finance staff, and many approvals go to the level of the executive director.

The only finding in NCRTD's FY13 audit was a repeat finding related to corrections needed to ensure accurate financial statements. Dating back to FY08, auditors identified correcting entries required in the general ledger. In FY10 and FY11, auditors identified corrections totaling \$1.3 million and \$1.6 million respectively. Auditors stated corrections were required to have accurate beginning balances for the subsequent fiscal year. Management stated FY11 year-end journal entries had not been posted because of staff attrition, causing the incorrect beginning balances for FY12. For FY13, auditors noted adjustments totaling \$1.2 million related to reclassifying items booked as expense to capital assets and adjusting depreciation. Auditors and NCRTD management differed in how to record specific items in the general ledger, leading to the auditor-recommended correction. NCRTD agreed to seek auditor advice on issues of this nature in the future.

Previous policies and procedures around expenses were not clearly defined and did not match best practice standards. Various audit findings in FY10, which repeated or were modified in FY11, revolved around poorly-defined controls related to staff expenditures and travel and per diem, resulting in inappropriate expenses and increased risk around NCRTD funds.

NCRTD's previous executive director had access to a debit card linked directly to NCRTD's operating account, which in FY10 had a year-end balance of \$3.7 million. While purchases were limited to \$1,000 per day on the debit card, the previous executive director and previous finance manager both had the authority to alter this limit. There was little to no oversight to ensure debit purchases had a valid business purpose, there was no approval process or procurement code in place for purchases made with the debit card, and finance staff did not have a mechanism to question purchases, as the director had been given broad authority to make purchases as deemed necessary. Auditors determined this finding to be resolved in FY12.

Lack of a clearly defined per diem policy resulted in inconsistent reimbursement and reduced control over expenditures. Prior to FY11, NCRTD did not have a clear per diem policy, leading employees to inconsistently apply federal and state reimbursement rates. Auditors stated this practice gave the appearance employees were

North Central Regional Transit District, Report #14-04

Operational Effectiveness and Oversight of the North Central Regional Transit District

April 10, 2014

selecting reimbursement at the most advantageous rate. The audit also noted the appearance of a lack of supervision over these expense claims. Additionally, non-business related expenses were reported related to travel of the previous executive director. Auditors also cleared this finding on the FY12 audit.

In FY12, NCRTD resolved control issues around employee expenditures by instituting defined policies and procedures. NCRTD instituted both a procurement card and a travel and per diem policy which resolved auditor concerns over these processes. NCRTD now maintains a fixed number of procurement cards with a specific credit limit. An approval process was put in place for purchases made with the cards, which are limited to emergencies or when a vendor will not accept a purchase order. In the case of travel and per diem, the current policy remedies any inconsistencies by clearly stating maximum per diem by travel type and the reimbursement rate for mileage, as well as clearly defining allowable expenses.

Recommendation

The North Central Regional Transit District should continue to address audit findings in a timely fashion to avoid repeat findings.



April 8, 2014

Chairman Luciano Varela
325 Don Gaspar
Suite 101
Santa Fe, NM 87501

Re: Legislative Finance Committee Program Evaluation of the North Central Regional Transit District

Dear Chairman Varela:

This letter constitutes the North Central Regional Transit District's (NCRTD) response to the program review and recommendations outlined in the Legislative Finance Committee's Program Evaluation of the NCRTD (Program Evaluation). The NCRTD appreciates the opportunity to provide our comments. We find the report to be generally comprehensive and in broad agreement with the findings and the majority of the recommendations. Many of the recommendations are contained within the NCRTD's newly updated service plan and mirror practices that we have employed since FY 11, particularly cost reduction and ridership enhancement. However, the NCRTD wishes to specifically address the following items noted in the report:

"In FY13, NCRTD had a seat occupancy rate of 24.3 percent for all blue bus routes." Seat Occupancy is not a commonly used analysis in the transit industry. Such an analysis without a comparative is difficult to translate. NCRTD's consulting firm KFH Group has deemed the NCRTD's load factor which "seat occupancy" is referring to as "excellent for a rural system". Furthermore, an analysis of this type should be based upon peak a.m. and p.m. trips, in order to determine whether the correct size of bus has been placed on the route and whether crowding is occurring. A similar example is the design of roadways. Roadways are designed to meet peak a.m. and p.m. trips. The remainder of the day the roadway experiences a great percentage of underutilization, however regardless of this underutilization there is the expectation by the general public that the designed roadway capacity will always be available. Among the standard reporting criteria into the National Transit Database required by the Federal Transit Administration (FTA) is the following five performance categories and no such criteria for seat occupancy is analyzed even by the FTA:

1. Passenger miles traveled per vehicle revenue mile,
2. Passenger miles traveled per vehicle revenue hour,
3. Unlinked passenger trips,
4. Accidents, fatalities and injuries,
5. Financial information.

Daniel Barrone
Chair

Anthony J. Mortillaro
Executive Director

Governmental
Board of Directors

City of Española

City of Santa Fe

Town of Edgewood

County of Rio Arriba

County of Santa Fe

County of Los Alamos

County of Taos

Nambe` Pueblo

Ohkay Owingeh Pueblo

Santa Clara Pueblo

Pueblo of Pojoaque

Pueblo of Tesuque

Pueblo de San Ildefonso

“While cost per passenger has decreased, it is still high when compared to transit options, such as taxis, being used in other transit systems.” The example of Arlington, VA which is a high density urban area with excellent taxi service is not a comparable comparison. Areas in the nation using taxis for transit service and paratransit that mirror the rural nature of the NCRTD’s service area should have been cited rather than a dense urban system. For informational purposes the NCRTD staff did request a cost from a Santa Fe Taxi company for a one way trip from Pojoaque to Los Alamos and was quoted \$157. Furthermore, the taxi service could not provide ADA compliant transport. This cost is nearly double the NCRTD’s highest cost route per trip. The changes the NCRTD is currently undertaking with its new service plan adjustments will result in lower costs per trip.

It is due to the foresight of the legislature in 2003 that the Regional Transit District Act was authorized. Furthermore authorization of legislation allowing for a voter imposed regional transit tax to provide for funding was critically important for transit to become a regional reality. These legislative actions allowed the creation of the NCRTD to address the lack of mobility options for residents within North Central New Mexico and interconnections with other transit systems within its 10,000 square mile service area with a population of approximately 235,000 residents. The NCRTD services over 50 communities within its service area for important life needs such as hospital and medical services, employment, education and quality of life amenities. We do so without charging a fare. Unfortunately the report did not mention the many communities we service, and most of all, the people who live there.

Communities served by the NCRTD:

Pueblos:	Rodarte	NM Corrections
Ohkay Owingeh	Vadito	Department
San Ildefonso	Talpa	SF County Adult
Tesuque	Pilar	Detention Center
Pojoaque	Ranchos de Taos	Rio Arriba County:
Santa Clara	San Cristobal	Española
Nambé	Santa Fe County:	El Rito
Los Alamos	Santa Fe	Ojo Caliente
County:	Española	Chama
Los Alamos	Eldorado	Tierra Amarilla
Taos County:	Edgewood	Cebolla
Taos	Moriarty	Ghost Ranch
Questa	Stanley	Abiquiu
Costilla	Galisteo	Chimayo
Red River	Madrid	Cordova
Peñasco	*and the facilities of	Truchas
UNM Taos-Klauer	Oñate Military	Ojo Sarco
La Lama	Complex	Dixon
Cerro	(Homeland Security,	Embudo
Arroyo Hondo	National	El Duende
Las Trampas	Guard, Troop	La Puebla
Chamisal	Command)	Hernandez
Rio Lucio		Velarde

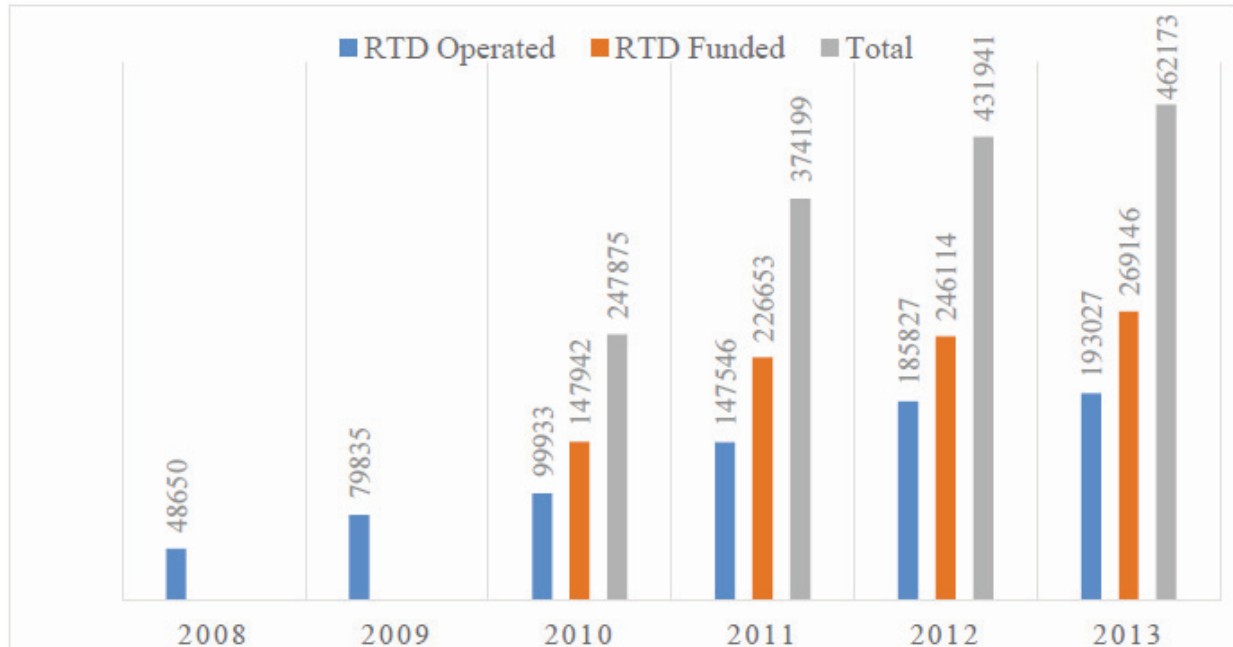
Nor did the report mention that over 63% of our customers earn less than \$17,000 per year and that (18.6%) ride the “Blue Bus” because they are transit-dependent and do not own a vehicle. Many (25.5%) also avail themselves of the service to save money. In a 2011 satisfaction level survey, overall satisfaction with the services received from the NCRTD was rated an average of 4.7 (with 1 = “dissatisfied”, 5 = “very satisfied”). Lastly, the report failed to share with the LFC that the NCRTD has contributed greatly to reducing the carbon foot print and in reducing road miles traveled which in FY 13 were respectively 2,161 tons and 4.35 million miles, (which are reasons alluded to in the RTD Statute as purposes for creating the Act). The reduction of road miles traveled benefits the local

North Central Regional Transit District, Report #14-04

Operational Effectiveness and Oversight of the North Central Regional Transit District

April 10, 2014

governments and the state financially as it reduces wear and tear on pavement and contributes to the reduction in accidents and safety risks. Finally, the report fails to acknowledge ridership for those regional services funded by NCRTD GRT; over 63% of these funds go collectively to the Rail Runner, Santa Fe Trails and Atomic City Transit. Following is a chart that shows historical ridership figures which also include those regional services funded for Santa Fe Trails and Los Alamos County Atomic City Transit. The chart below does not include the 309,115 riders in FY 13 that took the Rail Runner north bound into Santa Fe. All tallied over 771,288 trips were provided thru the NCRTD and its resources in FY 2013!



Unfortunately, the report did focus to some degree on past actions of the former administration, which have been more than publicly accounted for and documented in past audits. Since May of 2011 the District has diligently strived to be a model agency that is fully adherent to its Board policies, state and federal rules, regulations and laws. But most importantly of all, the NCRTD is the glue that holds all transit agencies and services together for the benefit of those in North Central New Mexico that need the service, those whom are choice riders as well as those who are future beneficiaries of regional transit. The approval of legislation and creation of the NCRTD reminds me of an ancient proverb that I believe sums up past transit efforts and what our obligation is to the future of transit in North Central New Mexico; “One generation plants the tress, another gets the shade.”

In closing, I want to state that NCRTD is fully committed to implementing the mission articulated by its Board of Directors and in meeting the objectives outlined in the RTD statute. The work of the LFC evaluation team is much appreciated. The NCRTD also appreciates the ongoing contributions of the Legislative Finance Committee members and we look forward to discussing the Report on April 10, 2014.

Respectfully submitted,

Anthony J. Mortillaro
Executive Director

Cc: NCRTD Board of Directors
Attachment: CTAA article

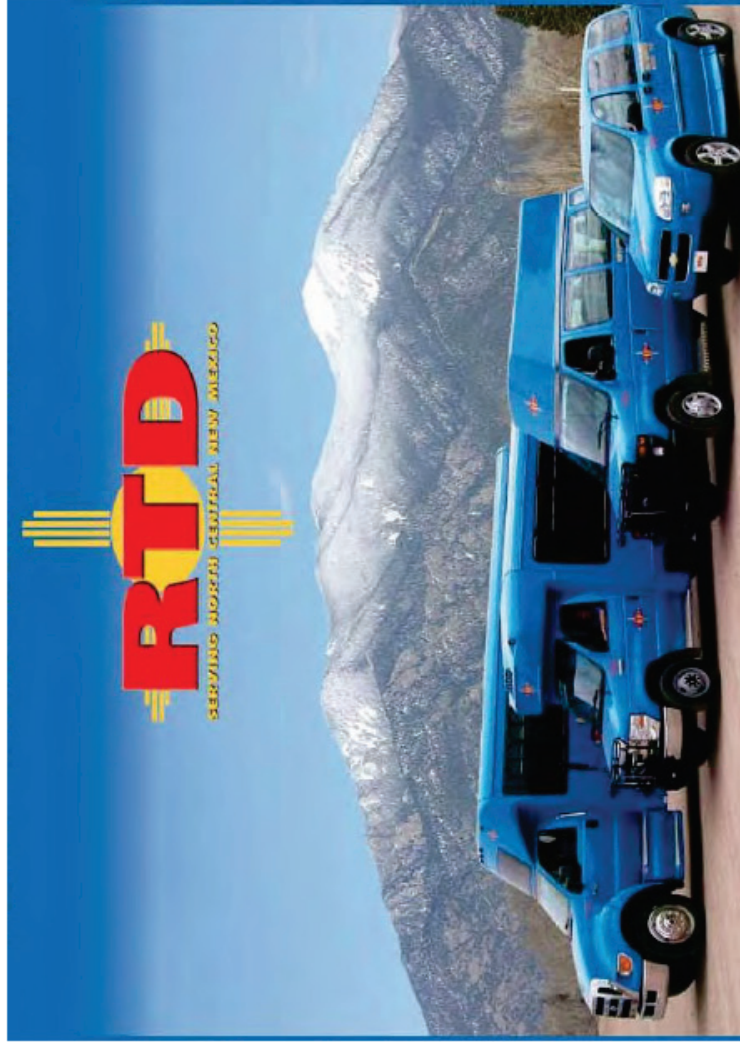
North Central Regional Transit District, Report #14-04
Operational Effectiveness and Oversight of the North Central Regional Transit District
April 10, 2014

New Mexico's North Central Regional Transit District: Embracing the Regional Rural Reality

By Rich Sampson

For a long time, the phrase rural transportation conjured an idyllic vision of a lone some van travelling along a dirt road between rows of corn. And, in some rural communities, that tableau is still very much a reality. But in many other parts of rural America, the sharp lines defining rural from urban areas grows blurrier every day. Such is the landscape traversed by [New Mexico's North Central Regional Transit District \(NCRTD\)](#), which – as its name implies – serves four counties, six pueblos, two cities and one town in the state's north central region, a service area of more than 10,000 square miles and 238,00 people. And did we mention that the system is entirely fare-free?

Although the NCRTD's operational framework is hardly a traditional format for a system covering such sizable territory, it's one designed to respond to the shifting needs of those it serves. The demands for access to employment, health care, education and community services – among many important other reasons to travel – require that people living in North Central New Mexico have access to numerous options to move around, whether that's to a job in a larger urban community like Santa Fe, vibrant



cultural life on a Pueblo community or a regional health care facility. And a free ride on NCRTD makes those long-distance trips just a little easier for passengers.

Realizing the Need for Regionalism

Like many places across the country, local communities in New Mexico have long offered reliable and efficient ways to get around and across town. Systems with vary-



county area in 2009 delivered the system a source of dedicated investment.

Currently, NCRTD moves more than 201,000 annual riders on a fleet of 39 vehicles and supported by a staff of 48 employees. The

agency also provides financial support of regional transit services offered by Santa Fe Trails and [Atomic City Transit](#) in Los Alamos, totaling over 462,000 annual trips on both services directly provided by NCRTD and on a contract basis by local transit systems. The District also provides financial support to the New Mexico Rail Runner Express to connect the region to Albuquerque and beyond. Fares have been free since the approval of the gross receipts tax, an organizational philosophy that recognizes the value the public receives in a mobile population that outweighs the revenue that could be collected via the farebox, especially important when the system is the only means of transport for many riders.

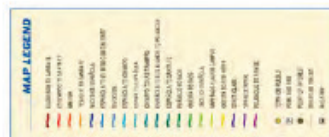
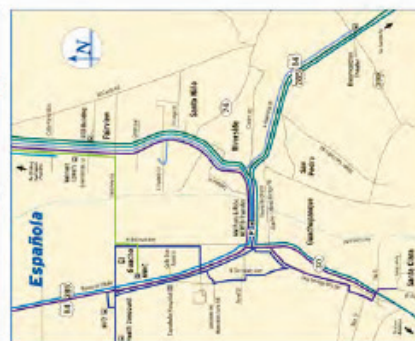
"We saw that we'd never be able to collect significant revenue from the farebox, and the public's support through dedicated investment from the gross receipts tax means we can offer even greater value to our riders and the community," says NCRTD Executive Director Anthony J. Mortillaro, who

Act that allowed the creation of regional transit districts in the state. The measure was signed into law by then-Governor Bill Richardson. Over a year's time, leaders in ten jurisdictions in the North Central region came together to create the NCRTD, which was certified by the state as a regional transit district in 2004. A service plan followed in 2006, which led to the consolidation of existing services in the city of Española and Rio Arriba County under the NCRTD umbrella. The new NCRTD service began in October 2007 and has subsequently added three new member entities to produce today's network of 22 fixed and demand-response routes. Approval of a gross receipts tax in the four-

ing identities, ranging from [Santa Fe Trails](#) – that city's public transportation provider – to smaller operations like the [Chile Line](#) in the town of Taos have offered stalwart service to local residents (for more information on both Santa Fe Trails and the Chile Line, see our [Transit Across New Mexico](#) edition of *DigitalCT* – ed). But over the past several decades, transit leaders at those systems as well as those at the regional and state levels took note that the places people needed to go extended beyond traditional, existing service boundaries.

As a result, in 2003, the New Mexico Legislature passed the Regional Transit District





notes two-thirds of respondents to a 2011 rider survey did not have access to a working personal vehicle. "Ridership has been continually growing, so fares would now act as a disincentive. Our Board has been supportive of a fare-free system every year."

Where Are They Going?

Like anywhere else, North Central New Mexico is a collection of communities and destinations in those communities where people live, work, receive care and go about their lives. There's more concentrated areas of population, such as Santa Fe, Española and Taos, the six independent pueblos – [Ohkay Owingeh](#), [San Ildefonso](#), [Tesuque](#), [Pojoaque](#), [Santa Clara](#) and [Nambé](#) – smaller enclaves like [Penasco](#), [El Rito](#) and [Chimayo](#), along with key regional destinations including the [Los Alamos National Laboratory](#), the [Buffalo Thunder Resort and Casino](#) and even the awe-inspiring [Cumbres & Toltec Scenic Railroad](#) in Chama at the region's northernmost reaches.

These places combine to offer employment, health care, education, community services and more, the motivation for the wide reach of NCRTD's network. According to the 2011 survey, more than 14 percent of riders used the system to get to work, another nine percent traveled to school and six percent reached medical appointments. Other riders indicated they took NCRTD transit to save money (25 percent), as a result of high gas prices or to access recreation and shopping.



Connectivity in action: numerous New Mexico transit providers meet at the South Capitol Transit Hub in Santa Fe, where the New Mexico Rail Runner Express connects with NCRTD, Santa Fe Trails and NM Park & Ride vehicles, due to environmental awareness or because they do not possess a driver's license.

Although the demand-response model has stood as the primary means by which mobility providers have served wide-ranging areas, NCRTD has identified fixed-route service as the method they believe is most effective to meet the region's needs. Nine routes serve Española, while others connect in Santa Fe, Pojoaque, Taos and Questa. The long trips needed to traverse the four-county area are best suited to the fixed-route structure, according to Mortillaro.

"Based on the feedback we heard from the community as we investigated the gross receipt tax, we heard that people responded to

the predictability and reliability of fixed-route service," says Mortillaro, who has been involved with the NCRTD since its inception, first as a Board member representing one of the member entities and now as Executive Director since May 2011.

Expanding the Reach

On their own, the NCRTD's collection of 22 routes span an impressive swath of North Central New Mexico. But for an entity that places a priority on a regional mindset, the system's array of connections to six different mobility providers broadens the mobility opportunities available to the region's residents. In addition to Santa Fe Trails and the Chile Line in Taos, NCRTD routes link with local routes in the city of Los Alamos on Atomic City Transit and the town of Red River's [Miner's Transit](#). These vital connections — whether they're made at a transit center in a

commercial district or in the parking lot of a gas station — reinforce the network's fundamental mission: safe, secure and efficient public transportation that enhances the quality of life for citizens.

"The network of interconnected services is designed to complement, not compete with other transit options," explains Mortillaro. "If you took a snapshot of transit in the area before the creation of NCRTD, you'd see a bunch of good, but disparate local systems with no real way to move between them."

Beyond local connectivity offered through nearby transit systems, the NCRTD also provides options for riders to travel more extensively throughout New Mexico. In Santa Fe, NCRTD buses connect with the [New Mexico Rail Runner Express](#) to Albuquerque and Belen, offering access to many of the state's largest institutions and intercity travel nodes.

Meanwhile, the New Mexico Department of Transportation's (NMDOT) [Park & Ride](#) regional bus network operates four routes in the North Central region, all of which connect with NCRD routes. At the same time, the NCRD's route between Santa Fe, Moriarty and Edgewood connects with another NMDOT Park & Ride bus line linking Albuquerque with Edgewood and Moriarty, providing additional connectivity beyond the Rail Runner Express.

Like the NCRD's fare-free and deviated fixed-route innovations, this portfolio of interconnected mobility options reflects the changing landscape of rural transportation.


"We've heard before that the NCRD is the glue that holds the region together," says Mortillaro. "We're glad to play a role in a strong fabric of transit options, along with our partners."

Much Accomplished, Much Remains

The decade-long path from the NCRD's creation in 2004 to its intensive role in connecting communities today is one marked by a series of forward-thinking strategies and practices that led it to be quickly embraced by both the region's leaders and its citizens. The system finds its direction for the future shaped by – but not beholden to – what has happened to-date. In the months and years ahead, the agency plans a multi-tiered effort at continually improving how it does business. It plans to further encourage additional

ridership by introducing flexible deviation of its routes to better serve customers, modernize its technology by installing an Intelligent Transportation System program of route planning, scheduling and applications for smart phones, update its long-term service plan and open a new maintenance facility.

"We're entering a new stage in our evolution," Mortillaro says proudly. "We're looking to capitalize on what we've done right so far while still also seeking out ways we can do better." **CT**



small urban network

In less than a year, CTAA's [Small Urban Network](#) has developed a set of legislative priorities, hosted a Congressional staff briefing and developed a special set of training sessions for EXPO '14 in Saint Paul. If you're a CTAA member and provide transportation service in a small-urban area, you need to join the SUN. Contact Scott Bogren at bogren@ctaa.org and connect with the SUN.

APPENDIX A: EVALUATION OBJECTIVES, SCOPE, AND METHODOLOGY

Evaluation Objectives.

- Measure effectiveness and productivity of the regional transit district.
- Assess revenue collection and expenditures related to operating the regional transit district.
- Review policies around procurement and other expenditures to determine level of control around public funds.
- Review audit findings and follow up on resolution of these findings.

Scope and Methodology.

- Reviewed state statutes, agency policies, procedures, and internal management documents.
- Analyzed productivity data for ridership and cost per route.
- Conducted structured interviews with NCRTD staff, contacted the New Mexico Department of Transportation Rail and Transit Division and consulted with other transit districts outside New Mexico.
- Reviewed contract, financial, performance, and quality data from the agency.
- Review financial audits from FY09-FY13.
- Reviewed published literature on other state practices, press releases, and media reports relevant to the evaluation.

Evaluation Team.

Maria D. Griego, Program Evaluator

Authority for Evaluation. The LFC is authorized under the provisions of Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies, and institutions of New Mexico and all of its political subdivisions; the effects of laws on the proper functioning of these governmental units; and the policies and costs. The LFC is also authorized to make recommendations for change to the Legislature. In furtherance of its statutory responsibility, the LFC may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state laws.

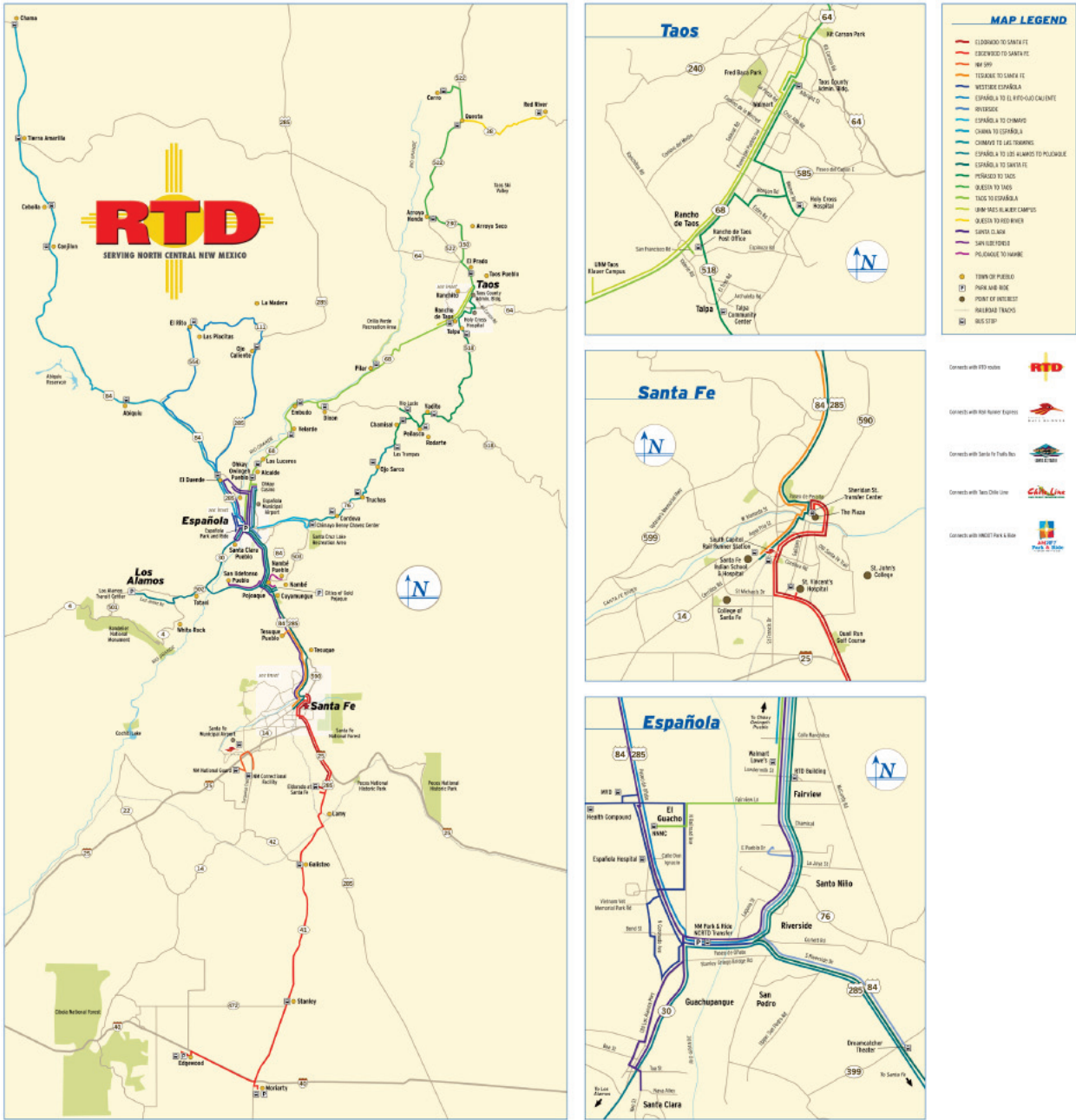
Exit Conference. The contents of this report were discussed with the North Central Regional Transit District during the exit conference on April 3, 2014. A report draft was provided to the agency for formal written response on April 1, 2014.

Report Distribution. This report is intended for the information of the Office of the Governor, the North Central Regional Transit District, the Office of the State Auditor, and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report, which is a matter of public record.



Charles Sallee
Deputy Director for Program Evaluation

APPENDIX B: NCRTD ROUTE MAP



North Central Regional Transit District, Report #14-04
Operational Effectiveness and Oversight of the North Central Regional Transit District
April 10, 2014

APPENDIX C: VEHICLE TYPE BY ROUTE

NCRTD Operated Routes	Type of Vehicle Used Per Route	Vehicle Capacity
Questa to Taos	Heavy Duty - Small Bus - Diesel	40 Passenger/18 Passenger
Peñasco to Taos	Light Duty Mid-Sized Bus - Gas	18 Passenger
Taos to Española	Light Duty Mid-Sized Bus - Gas	18 Passenger
El Rito to Española	Light Duty Small Bus - Gas	12 Passenger
Española to Santa Fe	Heavy Duty - Small Bus - Diesel	40 Passenger
Westside (Española)	Light Duty Small Bus - Gas	12 Passenger
Riverside Drive (Española)	Light Duty Small Bus - Gas	13 Passenger
Santa Clara to Española/Santa Fe	Light Duty Small Bus - Gas	18 Passenger
Tesuque to Santa Fe	Light Duty Small Van - Gas in AM Medium Duty/Purpose Bus - Diesel in PM	12 Passenger/28 passenger
Española to Los Alamos	Light Duty Small Bus - Gas	18 Passenger
Española to Chimayo	Light Duty Small Bus - Gas	8 Passenger
Demand Response (Española)	Light Duty Small Bus - Gas	12 Passenger
Demand Response Pojoaque Students	Light Duty Small Bus - Gas	14 Passenger
San Ildefonso Pueblo	Light Duty Small Van - Gas	12 Passenger
Pojoaque to Nambé	Light Duty Small Van - Gas	12 Passenger
Los Trampas	Light Duty Small Van - Gas	12 Passenger
UNM Klauer (Taos)	Light Duty Small Bus - Gas	12 Passenger
Chama	Light Duty Small Bus - Gas	14 Passenger
NM 599	Light Duty Mid-Sized Bus - Gas	18 Passenger
Red River	Light Duty Small Bus - Gas	12 Passenger
Eldorado	Light Duty Small Bus - Gas	18 Passenger
Edgewood	Medium Duty/Purpose Bus - Diesel	28 passenger

Source: NCRTD

APPENDIX D: FY13 OCCUPANCY ANALYSIS BY ROUTE

NCRTD Operated Routes	Type of Vehicle Used Per Route	Vehicle Capacity	Total Passenger Ridership	One-Way Route Trips	Available Seats per Year (based on 20 Operational Days per Month)	Occupancy
Questa to Taos*	Heavy Duty - Small Bus - Diesel/Light Duty Small Bus - Gas	40 Passenger/18 Passenger	12,913	6	51,552	25.0%
Penasco to Taos	Light Duty Mid-Sized Bus - Gas	18 Passenger	9,189	4	17,280	53.2%
Taos to Espanola	Light Duty Mid-Sized Bus - Gas	18 Passenger	10,500	6	25,920	40.5%
El Rito to Espanola	Light Duty Small Bus - Gas	12 Passenger	4,876	8	23,040	21.2%
Espanola to Santa Fe	Heavy Duty - Small Bus - Diesel	40 Passenger	25,286	6	57,600	43.9%
Westside (Espanola)	Light Duty Small Bus - Gas	12 Passenger	13,359	26	74,880	17.8%
Riverside Drive (Espanola)*	Light Duty Small Bus - Gas	13 Passenger	41,470	42	127,200	32.6%
Santa Clara to Espanola/Santa Fe	Light Duty Small Bus - Gas	18 Passenger	7,225	12	51,840	13.9%
Tesuque to Santa Fe*	Light Duty Small Van - Gas in AM Medium Duty/Purpose Bus - Diesel in PM	12 Passenger/28 Passenger	7,524	8	38,400	19.6%
Espanola to Los Alamos	Light Duty Small Bus - Gas	8 Passenger	1,461	8	15,360	9.5%
Espanola to Chimayo	Light Duty Small Bus - Gas	8 Passenger	6,645	14	26,880	24.7%
San Ildefonso Pueblo	Light Duty Small Van - Gas	12 Passenger	3,347	8	23,040	14.5%
Pojoaque to Nambé	Light Duty Small Bus - Gas	12 Passenger	2,035	6	17,280	11.8%
Las Trampas*	Light Duty Small Van - Gas	12 Passenger	2,196	10 and 5	23,220	9.5%
UNM Klauer (Taos)*	Light Duty Small Bus - Gas	12 Passenger	4,504	14	32,256	14.0%
Chama*	Light Duty Small Bus - Gas	12 Passenger	3,292	4	6,912	47.6%
NM 599	Light Duty Mid-Sized Bus - Gas	18 Passenger	5,899	8	34,560	17.1%
Red River	Light Duty Small Bus - Gas	12 Passenger	5,319	12	34,560	15.4%
Eldorado	Light Duty Small Bus - Gas	18 Passenger	7,045	12	51,840	13.6%
Edgewood	Medium Duty/Purpose Bus - Diesel	28 passenger	7,568	2	13,440	56.3%
Systemwide			181,653		747,060	24.3%

Note: The Questa to Taos route operated an 18-passenger vehicle for 64 days, and a 40-passenger vehicle during the school year for 186 days. The Riverside route made 26 one-way trips using a 13-passenger vehicle and 16 one-way trips using a 12-passenger vehicle. The Tesuque route used a 12-passenger vehicle in the morning and a 28-passenger vehicle in the afternoon. The Las Trampas route completed 10 one-way trips for 137 days, reducing to 5 one-way trips for the remaining 113 days. The Chama route operated 3 days per week for a total of 12 days per month. The UNM Klauer route operated 4 days per week for a total of 16 days per month.

Source: LFC Analysis of NCRTD data

APPENDIX E: NCRTD BOARD-APPROVED ROUTE MAP WITH FY15 SERVICE EXPANSIONS



North Central Regional Transit District, Report #14-04
Operational Effectiveness and Oversight of the North Central Regional Transit District
April 10, 2014

APPENDIX F: FY13 AVERAGE GROSS RECEIPTS TAX RATE BY COUNTY

County	Average Gross Receipts Tax
Taos	7.73%
Quay	7.71%
McKinley	7.53%
Dona Ana	7.38%
Guadalupe	7.31%
Los Alamos	7.31%
Union	7.29%
Rio Arriba	7.28%
San Miguel	7.27%
Torrance	7.26%
Lincoln	7.21%
Santa Fe	7.19%
Luna	7.19%
Cibola	7.14%
Sierra	7.13%
Valencia	7.09%
San Juan	7.09%
Otero	7.08%
Grant	7.06%
Statewide Average	7.00%
De Baca	6.97%
Roosevelt	6.97%
Curry	6.84%
Colfax	6.83%
Eddy	6.81%
Chaves	6.74%
Sandoval	6.59%
Hidalgo	6.50%
Socorro	6.50%
Lea	6.48%
Bernalillo	6.46%
Mora	6.44%
Harding	6.42%
Catron	6.28%
State Base GRT Rate	5.125%

Source: LFC Files

APPENDIX G: NCRTD ORGANIZATIONAL CHART

