



AGENDA
Meeting
of the
BOARD OF DIRECTORS
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
A Public Agency
Tuesday, May 19, 2009
8:30 AM
Santa Barbara MTD Auditorium
550 Olive Street, Santa Barbara, CA 93101

1. CALL TO ORDER

2. ROLL CALL OF THE BOARD OF DIRECTORS

David Davis, Chair; Dick Weinberg, Vice Chair; Sharon Anderson, Secretary; Chuck McQuary, Director; Roger Aceves, Director; Brian Fahnestock, Director; John Britton, Director

3. REPORT REGARDING POSTING OF AGENDA

CONSENT CALENDAR

4. CASH REPORT (ATTACHMENT- ACTION MAY BE TAKEN)

The Board will be asked to review the cash report from April 28, 2009 through May 11, 2009.

THIS CONCLUDES THE CONSENT CALENDAR

5. PUBLIC COMMENT

Members of the public may address the Board on items within the jurisdiction of the Board that are not scheduled for public hearing. The time allotted per speaker will be at the discretion of the Board Chair. If you wish to address the Board under this item number, please complete and deliver to the MTD Board Clerk **before the meeting is convened**, a "Request to Speak" form including a description of the subject you wish to address.

6. FISCAL YEAR 2010 OVERALL GOAL FOR DISADVANTAGED BUSINESS ENTERPRISE (DBE) PARTICIPATION (ATTACHMENT-ACTION MAY BE TAKEN)

The Board will be asked to review MTD's FY 2010 "Overall Goal for Disadvantaged Business Enterprise Participation in Federal Transit Administration Assisted Programs" and provide comments to staff.

7. CONTRACT AWARD FOR PROFESSIONAL AUDITING SERVICES (ATTACHMENT- ACTION MAY BE TAKEN)

The Board will be asked to award a contract for professional auditing services.

8. PROPERTY INSURANCE RENEWAL (ATTACHMENT- ACTION MAY BE TAKEN)

The Board will be asked to approve staff recommendation regarding property insurance.

**9. RECESS TO CLOSED SESSION-GENERAL MANAGER PERFORMANCE EVALUATION
(ACTION MAY BE TAKEN)**

Conference with Labor Negotiators pursuant to Government Code Section 54957.6:
SBMTD designated representatives: John Britton, Roger Aceves and Dick Weinberg
SBMTD unrepresented employee: Sherrie Fisher

10. OTHER BUSINESS AND COMMITTEE REPORTS

The Board will report on related public transit issues and committee meetings.

11. ADJOURNMENT

AMERICANS WITH DISABILITIES ACT: If you need special assistance to participate in this meeting, please contact the MTD Administrative Office at 963-3364 at least **48 hours in advance** of the meeting to allow time for MTD to attempt a reasonable accommodation

Santa Barbara Metropolitan Transit District
Cash Report
Board Meeting of May 19, 2009
For the Period April 28, 2009 through May 11, 2009

MONEY MARKET

Beginning Balance April 28, 2009 **\$5,751,786.90**

Property Tax Revenue	329,956.36	
Passenger Fares	170,746.91	
Accounts Receivable	94,101.99	
Advertising & Prepaid Dep	89,901.41	
UCSB Fares	87,669.01	
Interest Income - April 09	4,266.69	
Miscellaneous	515.00	
Total Deposits	777,157.37	

ACH Garnishment Trf	(3,639.37)	
WC Trf - April 09	(79,663.72)	
ACH Tax Deposit	(123,624.59)	
Operations Transfer	(273,294.68)	
Payroll Transfer	(282,727.27)	
Total Disbursements	(762,949.63)	

Ending Balance **\$5,765,994.64**

Total Cash and Investments as of May 11, 2009: **\$5,765,994.64**

COMPOSITION OF CASH BALANCE

Working Capital	4,332,318.39	
WC / Liability Reserves :as of May 11, 2009	1,213,206.64	
	5,765,994.64	

Total Cash Balance **\$5,765,994.64**

**Santa Barbara Metropolitan Transit District
Accounts Payable**

Check #	Date	Company	Description	Amount	Voids
92429	5/1/2009	APPLIED INDUSTRIAL TECHNOLOGI	BUS PARTS	195.85	
92430	5/1/2009	ASBURY ENVIRONMENTAL SERVIC	WASTE OIL RECYCLER	120.00	
92431	5/1/2009	BUENA TOOL, INC.	B&G REPAIRS & SUPPLIES	335.42	
92432	5/1/2009	CARQUEST AUTO PARTS	BUS PARTS & SUPPLIES	599.76	
92433	5/1/2009	COAST DRIVELINE AND GEAR, INC.	BUS PARTS	412.05	
92434	5/1/2009	COASTAL VIEW NEWS DBA	MEDIA AD	400.00	
92435	5/1/2009	COTTAGE HEALTH SYSTEM	EMPLOYEE ASSISTANCE PROGRAM	1,053.00	
92436	5/1/2009	COAST TRUCK PARTS	BUS PARTS	1,197.19	
92437	5/1/2009	CROCKER REFRIGERATION & AIR	HVAC MAINTENANCE	413.75	
92438	5/1/2009	CUMMINS CAL PACIFIC LLC	BUS PARTS	474.12	
92439	5/1/2009	COUNTY OF S.B.PUBLIC WORKS DE	WASTE DISPOSAL	95.00	
92440	5/1/2009	DENMUN OFFICE EQUIPMENT	OFFICE MACHINE SUPPLIES	150.00	
92441	5/1/2009	DOCUPRODUCTS CORPORATION	COPIER COPIES & SUPPLIES	198.27	
92442	5/1/2009	ELECTRO-MECHANICAL REPAIR, IN	BUS PARTS & REPAIRS	1,202.66	
92443	5/1/2009	GIBBS INTERNATIONAL INC	BUS PARTS/SUPPLIES	94.74	
92444	5/1/2009	GILLIG LLC DBA	BUS PARTS	1,768.09	
92445	5/1/2009	GOLETA WATER DISTRICT	UTILITIES	98.31	
92446	5/1/2009	GOLDEN EAGLE INSURANCE	PROPERTY INSURANCE	572.00	
92447	5/1/2009	GRAINGER, INC.	SHOP SUPPLIES	46.67	
92448	5/1/2009	GUARDIAN DENTAL INSURANCE	DENTAL INSURANCE	3,279.84	
92449	5/1/2009	GUARDIAN LIFE INS CO. CORP.	LIFE INSURANCE	944.84	
92450	5/1/2009	HAYNES SALES DBA	B&G REPAIRS & SUPPLIES	898.82	
92451	5/1/2009	H.G. MAKELIM CO.	BUS PARTS	568.32	
92452	5/1/2009	H. G. PETERSEN FAMILY PROPERTI	PARKING FOR VALLEY BUSES	100.00	
92453	5/1/2009	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	109.13	
92454	5/1/2009	HOWIE ENTERPRISES DBA	BUS REPAIRS	350.00	
92455	5/1/2009	J&A EXPRESS ELECTRIC MOTOR	BUS PARTS REPAIRS	3,950.00	
92456	5/1/2009	JERRY'S PLUMBING & HEATING, IN	PLUMBING	450.00	
92457	5/1/2009	JOY EQUIPMENT PROTECTION, INC.	SERVICING FIRE EXTINGUISHERS	448.00	
92458	5/1/2009	KJEE 92.9 FM DBA	MEDIA ADS	1,400.00	
92459	5/1/2009	MEDICAL EYE SERVICES, INC.	VISION SERVICES	256.20	
92460	5/1/2009	NEW PIG CORP.	SHOP SUPPLIES	100.54	
92461	5/1/2009	NEWARK ELECTRONICS	BUS PARTS	15.09	
92462	5/1/2009	NORTHWEST PUMP	FUEL ISLAND SUPPLIES	519.93	
92463	5/1/2009	PREVOST CAR INC.- CREDIT DEPT.	BUS PARTS	2,136.37	
92464	5/1/2009	PACIFICARE OF CALIFORNIA	HEALTH INSURANCE	46,956.89	
92465	5/1/2009	PLATINUM PLUS FOR BUSINESS	MISC. CREDIT CARD CHARGES	3,639.66	

Check #	Date	Company	Description	Amount	Voids
92506	5/11/2009	SC FUELS DBA	FUEL	28,354.16	
92507	5/11/2009	SOUTHERN CALIFORNIA GAS COMP	UTILITIES	35.10	
92508	5/11/2009	SB CITY OF-REFUSE/WATER	UTILITIES	1,100.17	
92509	5/11/2009	TEAMSTERS PENSION TRUST	UNION PENSION	85,645.33	
92510	5/11/2009	TEAMSTERS UNION LOCAL NO. 186	UNION DUES	9,231.35	
92511	5/11/2009	VALERIANO, MARIA	PAYROLL DONATIONS	198.00	
				273,294.68	
				Current Cash Report Voided Checks:	0.00
				Prior Cash Report Voided Checks:	0.00
				Grand Total:	\$273,294.68

Santa Barbara Metropolitan Transit District
Cash Receipts of Accounts Receivable

Date	Company	Description	Amount
4/28/2009	City of SB - Public Works	Passes/Token Sales	216.50
4/30/2009	Department of Rehabilitation	Passes/Token Sales	52.00
5/1/2009	UCSB - Contract Fares	Contract Fares - Apr09	87,669.01
5/4/2009	Santa Barbara Axxess	Advertising on Buses	350.00
5/5/2009	Borrayo, Ruth	Health Insurance - Cobra	268.13
5/5/2009	Calles, Gilbert & Leandra	Health Insurance - Retiree	265.74
5/5/2009	Fountain, Melvin and Elizabeth	Health Insurance - Retiree	265.74
5/5/2009	SB School District	Passes/Token Sales	55.00
5/5/2009	UCSB - Parking Services	Passes/Passport Sales	4,137.00
5/6/2009	Ali Habibi	Health Insurance - Retiree	2.87
5/8/2009	City of SB - Public Works	Advertising on Buses	800.00
5/11/2009	Department of Rehabilitation	Passes/Token Sales	20.00
Total Accounts Receivable Paid During Period			\$94,101.99



BOARD OF DIRECTORS REPORT

MEETING DATE: MAY 19, 2009

AGENDA ITEM #:

TYPE: INFORMATIONAL

PREPARED BY: STEVE MAAS



Signature

REVIEWED BY: GENERAL MANAGER

GM Signature

SUBJECT: MTD FY 2010 Draft DBE Annual Goal

RECOMMENDATION:

Review MTD's FY 2010 Draft "Overall Goal for Disadvantaged Business Enterprise Participation in Federal Transit Administration Assisted Programs" and provide comments to staff.

DISCUSSION:

MTD is required to submit a Disadvantaged Business Enterprise (DBE) goal annually to the Federal Transit Administration (FTA). At the direction of FTA, the FY 2010 goal includes MTD's non-revenue-vehicle stimulus capital funds from the American Recovery and Reinvestment Act of 2009 (ARRA). For FY 2010, based on the analysis detailed in the attached report, staff proposes a goal for DBE participation of 2.0 percent of the FTA assistance that is available for contracting.

As recommended by FTA, the goal is based on the most recent information available regarding the total number of firms and certified DBE firms available as potential contractors for various categories of work. These are determined based on US Census County Business Patterns (categorized by North American Industry Classification System codes, or NAICS Codes), and the number of certified DBE firms that are potentially available in the same categories (from the California Unified Certification Program, or CUCP).

As required, the draft annual DBE goal will undergo a 45-day period of availability for public review. Following this review period, staff will bring the FY 2010 annual goal back to the Board in July for final approval. The annual DBE goal must be submitted to FTA by August 1.

ATTACHMENT:

- MTD's FY 2010 Draft "Overall Goal for Disadvantaged Business Enterprise Participation in Federal Transit Administration Assisted Programs."

DRAFT
Fiscal Year 2010

**Overall Goal for
Disadvantaged Business Enterprise
Participation in Federal Transit Administration
Assisted Programs**

Prepared by the

Santa Barbara Metropolitan Transit District
550 Olive Street, Santa Barbara, CA 93101
(805) 963-3364, www.sbmtd.gov



May 12, 2009

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Disadvantaged Business Enterprise (DBE)

FY 2010 Overall DBE Goal for FTA-Assisted Programs

The Santa Barbara Metropolitan Transit District (MTD) has prepared this fiscal year (FY) 2010 overall Disadvantaged Business Enterprise (DBE) goal for Federal Transit Administration (FTA)-assisted programs in compliance with Code of Federal Regulations (CFR) Title 49--Transportation, Subtitle A--Office of the Secretary of Transportation, Part 26--Participation By Disadvantaged Business Enterprises In Department Of Transportation Financial Assistance Programs, Subpart C--Goals, Good Faith Efforts, and Counting, Section 26.45--How do recipients set overall goals.

MTD anticipates undertaking the following projects in FY 2010:

Project	Total Cost	FTA Share
<i>Total Operating Expenses</i>	<i>\$21,994,898</i>	<i>\$4,662,396</i>
<u>Capital Projects</u>		
Superstop Project	\$313,630	\$277,560
ARRA Capital Projects (Excluding Revenue Vehicles)	\$750,000	\$750,000
Other Capital Projects (Excluding Revenue Vehicles)	\$1,304,083	\$0
<i>Total Capital (Excluding Revenue Vehicles)</i>	<i>\$2,367,713</i>	<i>\$1,027,560</i>

In FY 2010 MTD anticipates the use of FTA funds for operating expenses and for various capital projects as follows:

- Enhanced bus stops called "Superstops"
- Projects funded through the American Recovery and Reinvestment Act of 2009 (ARRA)
 - Service vehicle replacements
 - Ticket vending machines

MTD does not anticipate the use of FTA funds for any other capital projects that are applicable to the overall DBE annual goal. (MTD also anticipates rolling stock purchases in FY 2010. Pursuant to FTA regulations, transit vehicle purchases are not included in this calculation of MTD's overall DBE annual goal.)

MTD anticipates that 24.0 percent of the agency's operating expenses will be available for contracting opportunities. Thus, 24.0 percent of the FTA share of operating expenses is anticipated to be available for contracting opportunities, for a total of \$1,118,975 in FTA operating funds available for contracting. The FTA share of capital funds, which totals \$1,027,560 including the ARRA-funded projects, is also anticipated to be available for contracting. Thus, in FY 2010, the total of FTA funds anticipated to be available for contracting is \$2,146,535.

Line Item	FTA Share
FTA Share of Total Operating Expense	\$4,662,396
Percent of Oper. Exp. Available for Contracts	24.0%
<i>FTA Share of Oper. Exp. Available for Contracts</i>	<i>\$1,118,975</i>
<i>FTA Share of Capital Exp. Available for Contracts</i>	<i>\$1,027,560</i>
Total FTA Share Available for Contracts	\$2,146,535

MTD calculated a base figure for the relative availability of DBE firms, pursuant to CFR 49, Section 26.45(c)(1). The table below presents the most recent information available regarding the total number of firms available as potential contractors for various categories of service (based on the US Census County Business Patterns North American Industry Classification System codes, or NAICS Codes), and the number of certified DBE firms that are potentially available in the same categories (from the California Unified Certification Program, or CUCP).

As is shown, this results in a base figure of 2.0 percent. Based on past experience of DBE participation, MTD believes that no adjustments to the calculated base figure are appropriate. MTD does not possess any other type of evidence, outside of past experience, to use as a basis for adjustment of the calculated base figure.

Based on the FTA operating and capital funds available for contracts and the figure of 2.0 percent for the availability of DBE contractors, MTD anticipates that, absent the effects of discrimination, \$42,357 in contracts would be awarded to DBE firms (2.0 percent of \$2,146,535).

MTD's overall FY 2010 goal for DBE participation in FTA-assisted programs is 2.0 percent. MTD's overall FY 2010 goal for DBE participation is available for all CUCP-certified DBEs on a Race Neutral basis.

NAICS 2002	Description	Number of Firms ¹		Percent DBE	Area
		Total (2006)	DBE (2009)		
441310	Automotive Parts & Accessories Stores	2,318	3	0.1%	B
441320	Tire Dealers	1,057	0	0.0%	B
443112	Radio, Television, & Other Electronics Stores	2,152	1	0.0%	B
443120	Computer & Software Stores	877	17	1.9%	B
444130	Hardware Stores	46	0	0.0%	A
453210	Office Supplies & Stationery Stores	43	0	0.0%	A
454319	Other Fuel Dealers	13	0	0.0%	B
485991	Special Needs Transportation	4	0	0.0%	A
517110	Wired Telecommunications Carriers	1,323	3	0.2%	B
517212	Cellular & Other Wireless Telecommunications	717	5	0.7%	B
522110	Commercial Banking	249	0	0.0%	A
524210	Insurance Agencies & Brokerages	7,564	14	0.2%	B
524291	Claims Adjusting	269	5	1.9%	B
524292	Third Party Admin. of Insurance & Pension Funds	328	6	1.8%	B
541110	Offices of Lawyers	627	0	0.0%	A
541430	Graphic Design Services	1,625	77	4.7%	B
541611	Admin. Mgmt. & General Mgmt. Consulting Services	3,736	143	3.8%	B
541850	Display Advertising	185	14	7.6%	B
541860	Direct Mail Advertising	284	17	6.0%	B
541890	Other Services Related to Advertising	514	28	5.4%	B
561310	Employment Placement Agencies	877	17	1.9%	B
561439	Other Business Service Centers (incl. Copy Shops)	35	0	0.0%	A
561499	All Other Business Support Services	200	88	44.0%	B
561612	Security Guards & Patrol Services	51	0	0.0%	A
561720	Janitorial Services	211	0	0.0%	A
561730	Landscaping Services	506	2	0.4%	A
561790	Other Services to Buildings & Dwellings	727	23	3.2%	B
611420	Computer Training	164	14	8.5%	B
611430	Professional & Management Development Training	260	39	15.0%	B
621999	All Other Misc. Ambulatory Health Care Services	9	0	0.0%	A
811121	Automotive Body, Paint, & Interior Repair & Maint,	124	0	0.0%	A
811122	Automotive Glass Replacement Shops	21	0	0.0%	A
811212	Computer & Office Machine Repair & Maintenance	463	23	5.0%	B
811213	Communication Equipment Repair & Maintenance	80	7	8.8%	B
812331	Linen Supply	11	0	0.0%	A
	Total/Base Figure	27,670	546	2.0%	

Note 1: Total firms from County Business Patterns (US Census Bureau). DBE firms from CA UCP (Caltrans).

Area Legend

A = Santa Barbara and Ventura Counties only.

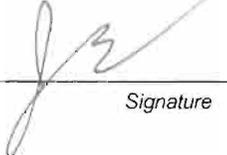
B = Santa Barbara, Ventura, Los Angeles, Orange, Riverside, San Bernardino, and San Diego Counties.

Line Item	Value
FTA Funds Available for Contracts	\$2,146,535
DBE Percentage Goal (Race Neutral)	2.0%
DBE Monetary Goal	\$42,357

BOARD OF DIRECTORS REPORT

MEETING DATE: MAY 19, 2009
TYPE: ACTION
PREPARED BY: JERRY ESTRADA

AGENDA ITEM #:



Signature

**SUBJECT: RECOMMENDATION TO ACCEPT ENGAGEMENT LETTER
FOR PROFESSIONAL AUDITING SERVICES**

DISCUSSION:

The Santa Barbara Metropolitan Transit District (MTD) has received the annual engagement letter from McGowan Guntermann to provide professional auditing services.

McGowan Guntermann has performed these services for the District for a number of years. MTD solicited proposals for these services last year and the Board determined that it was in the best interest of the District to maintain the existing relationship.

McGowan Guntermann has proposed to conduct the annual Single Audit for the same amount billed the previous two year's (\$39,600). The services required are intended to certify MTD's financial statements and to provide the Board with a review of the District's financial position as well as its management practices.



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

30111, Monterey Highway 277, Suite 200, Santa Barbara, CA 93101, (805) 962-9171, Fax: (805) 962-9025, www.mcgowan.com

April 29, 2009

Ms. Sherrie Fisher, General Manager
Santa Barbara Metropolitan Transit District
550 Olive Street
Santa Barbara, CA 93101

Dear Ms. Fisher:

This letter is to confirm our understanding of the terms and objectives of our engagement and to clarify the nature and limitations of our services to Santa Barbara Metropolitan Transit District. You should read it carefully in its entirety.

We will audit the financial statements of Santa Barbara Metropolitan Transit District as of the year ended June 30, 2009. Also, the document we submit to you will include the schedule of expenditures of federal awards that will be subjected to the auditing procedures applied in our audit of the financial statements.

Enclosed are the following attachments expanding on issues related to the above services and firm policies:

- Audit - pages 3 - 9
- Billing and Fee Policies - page 9
- Timeframe - page 9

If your needs change during the year, the nature of our services can be adjusted appropriately. This agreement may be altered by either party with advanced written notice.

If you have any questions, please call me. If this agreement fairly sets forth your understanding, please sign the "acknowledgment copy" of this letter and return it all to us.

Sherrie Fisher, General Manager
Santa Barbara Metropolitan Transit District
April 29, 2009
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Audit Objectives

The objective of our audit is the expression of an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the financial statements taken as a whole. The objective also includes reporting on-

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reports on internal control and compliance will each include a statement that the report is intended for the information and use of the audit committee, management, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with Circular A-133, and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. If our opinion on the financial statements or the Single Audit compliance opinion is other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Sherrie Fisher, General Manager

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will prepare a draft of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles; and for federal award program compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Sherrie Fisher, General Manager
Santa Barbara Metropolitan Transit District
April 29, 2009
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Management Responsibilities (continued)

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Audit Procedures – General (continued)

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matter in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

Sherrie Fisher, General Manager
Santa Barbara Metropolitan Transit District
April 29, 2009
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Audit Procedures - Internal Controls (continued)

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the OMB Circular A-133 Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of the District's major programs. The purpose of these procedures will be to express an opinion on the District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Audit Administration and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any invoices selected by us for testing.

Sherrie Fisher, General Manager

Audit Administration and Other (continued)

At the conclusion of the engagement, we will complete the appropriate sections of and sign the Data Collection Form that summarizes our audit findings. We will provide copies of our reports to the Santa Barbara Metropolitan Transit District; however, it is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and a corrective action plan) along with the Data Collection Form to the designated federal clearinghouse and, if appropriate, to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits. At the conclusion of the engagement, we will provide information to management as to where the reporting packages should be submitted and the number to submit.

The audit documentation for this engagement is the property of McGowan Guntermann and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the Federal Transit Administration or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of McGowan Guntermann personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of ten years after the date the auditor's report is issued or for any additional period requested by the Federal Transit Administration or your pass through entities. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation. Upon the expiration of the 10-year period you agree that we shall be free to destroy (shred) our files unless we receive written notice from you.

Government Auditing Standards require that we provide you with a copy of our most recent quality control review report, which we have enclosed

Sherrie Fisher, General Manager
Santa Barbara Metropolitan Transit District
April 29, 2009
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BILLING AND FEE POLICIES

Our fees for these services will be based upon the time taken, costs incurred including computer costs, and the difficulty of the work. Based on our estimate, the audit fee will be \$39,600. This fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We will bill you on a semimonthly basis as our efforts are incurred. Our bills are due when you receive them.

If any dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association (AAA) under its rules for professional accounting and related services disputes, before resorting to litigation. Costs of any mediation proceeding shall be shared equally by all parties. Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the AAA rules for professional accounting and related services disputes. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that in the event of a dispute over fees, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.

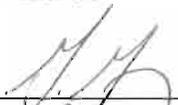
TIMEFRAME

We expect to begin preliminary testing in late June, 2009. If we receive the items we will request by July 20, 2009, we plan to begin our audit on approximately August 3, 2009, complete our fieldwork by August 24, 2009, and issue our preliminary audit report no later than September 11, 2009. After your approval we will issue the final report within three days. If the planned field work date is delayed by you, or expected information is incomplete at the start of fieldwork, this will extend the date to receive the draft financial statements.



BOARD OF DIRECTORS REPORT

MEETING DATE: MAY 19, 2009
TYPE: ACTION
PREPARED BY: GABRIEL GARCIA
REVIEWED BY: ASSISTANT GM

AGENDA ITEM #:


Signature


AGM Signature

SUBJECT: PROPERTY INSURANCE RENEWAL MAY 24, 2009 – MAY 23, 2010

DISCUSSION:

The Property Insurance renewal proposal includes all MTD locations as follow: Cota-Olive Street buildings, Transit Center, remote-charging station in Carpinteria, Overpass facility as a rental property, and MTD's radio repeater (antenna-mounted) off of Gibraltar Road.

This policy includes coverage for loss of rental income for the Overpass facility, glass coverage at the Transit Center, and Boiler & Machinery Insurance. The Boiler and Machinery rider indemnifies the MTD for losses resulting from a short circuit to the electrical system and resulting damage to the charging facilities.

The Property Insurance covers losses to buildings, building contents and equipment in the event of a fire and specifically excludes insurance for Earthquake and/or Flood damage.

Market Scan

Brown and Brown, MTD broker of record, analyzed the market and thus far only received one other quote (State National Insurance Agency). That quote was \$21,307. Other insurance companies could not meet or beat Golden Eagle's quote.

BUDGET/FINANCIAL INFORMATION:

Excluding the change of the Overpass Property to a rental site the quote was consistent with the prior year premium. The change in coverage for the Overpass Property resulted in an increase of \$2,920, which will be billed to the Tenant.

Golden Eagle Insurance Company	\$15,769
State National Insurance Company	\$21,307
Allied Insurance Company	No quote
Sequoia Insurance Company	No quote
Travelers Insurance Company	No quote

RECOMMENDATION:

Staff recommends continued Property Insurance coverage with MTD's current carrier, Golden Eagle Insurance Company effective May 24, 2009.