



AGENDA

Meeting

of the

BOARD OF DIRECTORS

of the

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

A Public Agency

November 25, 2014

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

Dave Davis, Chair; Chuck McQuary, Vice Chair; Olivia Rodriguez, Secretary; Dick Weinberg, Director; Bill Shelor, Director; David Tabor, Director, Roger Aceves, Director

3. REPORT REGARDING POSTING OF AGENDA

CONSENT CALENDAR

4. APPROVAL OF PRIOR MINUTES-(ATTACHMENT-ACTION MAY BE TAKEN)

The Board will be asked to waive the reading of and approve the draft minutes for the meeting of October 28, 2014.

5. CASH REPORT-(ATTACHMENTS-ACTION MAY BE TAKEN)

The Board will be asked to review the cash reports for the periods of October 21, 2014 through November 3, 2014 and November 4, 2014 through November 17, 2014.

THIS CONCLUDES THE CONSENT CALENDAR

6. PUBLIC COMMENT

Members of the public may address the Board on items within 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, a "Request to Speak" form including a description of the subject you wish to address. Additional public comment will be allowed during each agenda item, including closed session items. Please fill out the Request to Speak form and indicate the agenda item number that you wish to comment on.

7. PUBLIC OFFICIALS DIRECTORS' AND OFFICERS' LIABILITY INSURANCE RENEWAL-(ACTION)

Staff recommends renewal of the Public Officials Directors' and Officers' insurance through the expiring carrier, RSUI Indemnity Company, effective 1/03/15-1/03/16 in the amount of \$42,340.

8. RECOMMEND APPROVAL OF CHANGES TO BUS ADVERTISING POLICY- (ACTION)

Staff recommends that the Board approve the following changes to the bus advertising policy:

- Increase King and Tail advertising rates by approximately 17%, and that the Queen advertising rates remain unchanged (new rates to go into effect on January 1, 2015).
- Reduce the interior advertising rates for all fleets as described in the Interior Ad Rates portion of the report (effective immediately upon Board approval).

- Reduce the agency discount for advertising purchases to 10% (effective immediately upon Board approval).

9. PRESENTATION OF FISCAL YEAR 2013-14 DRAFT FINANCIAL STATEMENTS & COMPLIANCE REPORT- (ATTACHMENT-ACTION)

A representative of McGowan Guntermann will present the District's Draft Financial Statements and Compliance report for fiscal year 2013-14.

10. PRESENTATION OF FLEET COMPLIANCE WITH CALIFORNIA AIR RESOURCES BOARD REQUIREMENTS-(INFORMATIONAL)

Maintenance staff will provide the Board of Directors with a presentation related to MTD's fleet compliance with California Air Resources Board Requirements.

11. GENERAL MANAGER'S REPORT

- a) UCSB LRDP
- b) Articulated Buses
- c) Lithium Batteries
- d) AVL
- e) Easy Lift

12. OTHER BUSINESS AND COMMITTEE REPORTS-(ACTION MAY BE TAKEN)

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

13. ADJOURNMENT

AMERICAN 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.



MINUTES

Meeting

of the

BOARD OF DIRECTORS

of the

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

A Public Agency

October 28, 2014

8:30 AM

Santa Barbara MTD Auditorium

550 Olive Street, Santa Barbara, CA 93101

1. CALL TO ORDER

Chair Davis called the meeting to order at 8:30 a.m.

2. ROLL CALL OF THE BOARD OF DIRECTORS

Chair Davis reported that all members were present with the exception of Director Rodriguez.

3. REPORT REGARDING POSTING OF AGENDA

Natasha Garduno, Executive Assistant, reported that the agenda was posted on Friday, October 24, 2014 at MTD's Administrative Office, mailed and emailed to those on the board packet list, and posted on MTD's website.

AT THIS POINT CHAIR DAVIS MADE A MOTION TO MOVE TO ITEM #10. VICE CHAIR MCQUARY SECONDED THE MOTION. THE MOTION PASSED UNANIMOUSLY.

10. AGREEMENT FOR EMPLOYMENT OF GENERAL MANAGER-(ATTACHMENT-ACTION MAY BE TAKEN)

Chair Davis reported that Jerry Estrada has been an employee with MTD for many years in a number of capacities, and has served well as Interim General Manager since mid-July of this year. Chair Davis made a motion to appoint Jerry Estrada as General Manager and to authorize the Chair to execute the "General Manager Employment Agreement" with the following changes:

- 7(e) - "Estrada is encouraged to participate in MTD's 401k plan. MTD shall contribute an amount equal to 10% of the yearly value of Estrada's annual salary into his existing IRC 401(k) account in accordance with the requirements and terms of MTD's 401k plan documents which governs this plan;"
- 7(f)- Strike from the first paragraph the following sentence, "paid if Estrada is over 65 years of age at the time of retirement or when Estrada reaches age 65, whichever benefit costs less;"

Chair Davis stated to Mr. Estrada that it was a great honor for the Board to make this motion and to approve him as the new General Manager. Directors Tabor and Weinberg echoed Chair Davis' comments.

Vice Chair McQuary seconded the motion. The motion passed unanimously.

Jerry Estrada shared that he was very grateful to the Board for having faith in him and for all of their support over the years as well as that from staff and that he is honored to be able to represent the district.

CONSENT CALENDAR

4. & 5. APPROVAL OF PRIOR MINUTES AND CASH REPORT (ATTACHMENT- ACTION MAY BE TAKEN)

Director Aceves moved to waive the reading of and approve the draft minutes for the meeting of October 14, 2014 and the cash report for the period of October 7, 2014 through October 20, 2014. Director Shelor seconded the motion. The motion passed unanimously.

THIS CONCLUDED THE CONSENT CALENDAR

6. PUBLIC COMMENT

Sherrie Fisher spoke under public comment and shared with the Board that in retirement she has been enjoying riding the bus.

Lee Moldaver spoke under public comment to congratulate Mr. Estrada. He also shared with the Board and Staff some information about service animals on buses along with some of his encounters of this nature while riding the bus.

7. CAP-AND-TRADE AUCTION PROCEEDS (INFORMATIONAL)

General Manager Estrada and Manager of Government Relations & Compliance Steve Maas provided the Board with an update on the allocation of California Cap-and-Trade auction proceeds. Mr. Estrada and Mr. Maas reported that staff is continuing to monitor Cap-and-Trade developments, that the program guidelines are under development, and described four different Cap-and-Trade programs that MTD can possibly be a recipient of funds from.

Scott Spalding of SBCAG was in attendance and shared with the Board that SBCAG is also waiting for Cap-and-Trade guidelines to be finalized, to see if SBCAG is an eligible recipient of various programs.

8. THREE-BIKE RACKS- (INFORMATIONAL)

Steve Maas, Manager of Government Relations and Compliance shared that previously MTD had been limited to two-bike racks. With legislation passed in September 2011, MTD's 40-foot and smaller buses can now legally accommodate three-bike racks. Mr. Maas shared that staff will now look for grant funding to purchase and install new racks, and is currently aware of two competitive grant programs that could potentially provide MTD with funding for this project (Measure A and/or the California Active Transportation Program).

9. LETTER OF SUPPORT FOR UCSB SAN JOAQUIN PROJECT- (ATTACHMENT-ACTION)

Staff provided the Board with a draft letter from General Manager Estrada to the California Coastal Commission in support of the San Joaquin Apartments and Precinct Improvement Project of the University of California, Santa Barbara (UCSB). Director Weinberg moved to approve sending the draft letter with a request that the last sentence of the first paragraph be re-worded for clarification. Director Tabor seconded the motion. The motion passed unanimously.

AT THIS POINT DIRECTOR RODRIGUEZ JOINED THE MEETING AT 9:12 A.M.

11. INTERIM GENERAL MANAGER'S REPORT

Bill Morris, Manager of Operations, shared that his department has been preparing for the Halloween festivities that take place annually in the Isla Vista/UCSB area. He reported that staff has had conversations with the SBCC Security Director regarding the status of SBCC parking lots on Friday and Saturday nights. No-parking signs will be posted after 10:30 p.m., and vehicle towing notices will be posted on SBCC campus for these nights. This information is important for MTD because past trends have shown that individuals coming from out of town look for these types of parking lots and they then overload the buses that provide service to and from the area. The routes serving this area will be monitored, as well as those serving the State/Hollister corridor. Supervisors will be stationed at the Transit Center as well as the UCSB/Isla Vista area to deal with passenger boarding and any routing issues. Director Aceves shared that within the City of Goleta, parking would also be restricted on these dates and that the restrictions could potentially have an impact on bus service in other

areas. He shared that it would be great to report back to the Board to see where other problems were caused, in order to be prepared to address them for next year.

Jerry Estrada, General Manager, shared that staff met with SBCAG staff to discuss the future of the Limited service and MTD's five MCI over-the-road coaches. These buses are currently used for the Coastal Express Limited service that is planned to end in mid-June 2015, and staff needs to plan for the future use of the coaches. MTD staff has agreed to reach out to the adjacent FTA grantees, Ventura County Transportation Commission (VCTC), the City of Lompoc, and the San Luis Obispo Regional Transit Authority (SLORTA) to see what their interest is, and then bring the item back to the Board with a recommendation.

Mr. Estrada shared that a year ago MTD hired a contractor to assess all of the wooden bus shelters. Staff is now ready to begin doing repairs to the shelters. Staff is currently working on verifying ownership of the shelters, because not all are owned by MTD. Some of these shelters were installed by developers and the city agencies, and ownership has not necessarily passed to MTD. Nevertheless, MTD provides service to these stops and wants to ensure that they are safe. Staff will prepare bid documents to have the repairs done.

Mr. Estrada shared that MTD uses the Trapeze software in the Planning Department for route scheduling, in Operations for bids, and in Accounting for payroll. All of these functions will interact with the new automatic vehicle location (AVL) system. Tom Sheldon, Manager of IT, and other staff members have done a great job keeping the upgrade process going and up to date in order to stay on our timeline with AVL.

Mr. Estrada shared that Dale Zielinski, Manager of Maintenance, had received word that the first articulated bus is on its way to MTD. Operations and Maintenance will be training drivers and mechanics for the remainder of the year. MTD plans to put the buses into service when SBCC starts up in again in January, after winter break. An issue that this does bring up is space in the yard. Staff has discussed this with the Facilities Committee, and will continue to update the Board on this issue.

Mr. Estrada recommended, and the board agreed, that the November 11, 2014, Board meeting should be cancelled in observance of Veteran's Day. The next Board Meeting will be held on Tuesday, November 25th.

12. OTHER BUSINESS AND COMMITTEE REPORTS-(ACTION MAY BE TAKEN)

Director Aceves requested that a Human Resources Committee meeting be scheduled and that its members be given a copy of the current personnel manual.

Director Aceves also shared with the Board information from an editorial published in the SBCC "Channels" newspaper on October 24th that discussed the SBCC parking problems and a pilot program that the College Planning Council approved to help alleviate the situation. Director Aceves requested that the Development Committee receive a presentation on this from staff and discuss a response to this issue.

13. ADJOURNMENT

Director Aceves moved to adjourn the meeting at 9:40 a.m. Director Weinberg seconded the motion. The motion passed unanimously.

Santa Barbara Metropolitan Transit District
Cash Report
Board Meeting of November 25, 2014
For the Period October 21, 2014 through November 3, 2014

MONEY MARKET

Beginning Balance October 21, 2014 **\$10,615,429.48**

SB-325 (LTF)	507,546.11
Accounts Receivable	328,139.14
Passenger Fares	152,838.24
Property Tax Revenue	64,077.56
Advertising/Prepaid Deposits	18,005.00
Miscellaneous/Asset Sales	688.08
Measure "A"	<u>.00</u>
Total Deposits	1,071,294.13

ACH Garn/Escrow	(4,889.71)
ACH Pensions Transfer	(34,755.00)
ACH Tax Deposit	(140,565.22)
Operations Transfer	(145,324.32)
Payroll Transfer	<u>(314,731.69)</u>
Total Disbursements	(640,265.94)

Ending Balance **\$11,046,457.67**

CASH INVESTMENTS

LAIF Account	\$3,331,693.59
Money Market Account	<u>11,046,457.67</u>

Total Cash Balance **\$14,378,151.26**

SELF INSURED LIABILITY ACCOUNTS

WC / Liability Reserves	(\$3,783,550.48)
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Working Capital **\$10,594,600.78**

**Santa Barbara Metropolitan Transit District
Accounts Payable**

Check #	Date	Company	Description	Amount	Voids
107923	10/23/2014	ABC BUS COMPANIES INC	BUS PARTS	1,025.38	
107924	10/23/2014	ACCONTEMPS DBA	CONTRACT EMPLOYMENT	1,434.00	
107925	10/23/2014	HENRY ANDREWS	RETIREE HEALTH REIMBURSEMENT	285.00	
107926	10/23/2014	B2B SERVICES DBA	OFFICE SUPPLIES	31.32	
107927	10/23/2014	BAY CITY FAB DBA	EV TOPPER PARTS	443.98	
107928	10/23/2014	BIG BRAND TIRES, BRANDCO BILL	SERVICE VEHICLE MAINTENANCE	215.04	
107929	10/23/2014	BUENA TOOL, INC.	BUS STOP SUPPLIES	22.68	
107930	10/23/2014	BUYNAK, FAUVER, ARCHBALD&S	LEGAL COUNSEL	21,073.81	
107931	10/23/2014	CALIFORNIA ELECTRIC SUPPLY, I	SHOP/B&G SUPPLIES	419.31	
107932	10/23/2014	CARQUEST AUTO PARTS	BUS PARTS & SUPPLIES	417.08	
107933	10/23/2014	CLEAN & COAT SYSTEMS	REPAIR SERVICE	285.61	
107934	10/23/2014	STAN CISOWSKI	RETIREE HEALTH REIMBURSEMENT	203.20	
107935	10/23/2014	CIO SOLUTIONS, LP	PROFESSIONAL SERVICES	600.00	
107936	10/23/2014	COAST TRUCK PARTS	BUS PARTS	198.35	
107937	10/23/2014	CUMMINS PACIFIC, LLC	BUS PARTS	4,285.86	
107938	10/23/2014	DENMUN OFFICE SOLUTIONS	OFFICE MACHINE SUPPLIES/MAINTEN	1,200.00	
107939	10/23/2014	ALICIA DIEHL	RETIREE HEALTH REIMBURSEMENT	60.00	
107940	10/23/2014	EBUS, INC.	BUS PARTS	1,195.90	
107941	10/23/2014	FEDEX dba	FREIGHT CHARGES	135.34	
107942	10/23/2014	FIA CARD SERVICES	MISC CREDIT CARD CHARGES	6,087.07	
107943	10/23/2014	MELVIN FOUNTAIN	RETIREE HEALTH REIMBURSEMENT	60.00	
107944	10/23/2014	GENFARE, A DIVISION OF SPX CO	FAREBOX REPAIRS & PARTS	173.04	
107945	10/23/2014	GIBBS INTERNATIONAL INC	BUS PARTS	588.51	
107946	10/23/2014	GILLIG LLC	BUS PARTS	5,775.74	
107947	10/23/2014	GARY GLEASON	RETIREE HEALTH REIMBURSEMENT	247.95	
107948	10/23/2014	ROBERT GONZALEZ	RETIREE HEALTH REIMBURSEMENT	330.00	
107949	10/23/2014	JIM HAGGERTY	RETIREE HEALTH REIMBURSEMENT	196.00	
107950	10/23/2014	ALI HABIBI	RETIREE HEALTH REIMBURSEMENT	285.00	
107951	10/23/2014	H.G. MAKELIM CO., INC.	BUS PARTS	590.12	
107952	10/23/2014	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	14.68	
107953	10/23/2014	HYDRAULIC CONTROLS, INC.	BUS PARTS	42.13	
107954	10/23/2014	IPC (USA), INC.	BUS FUEL	24,552.23	
107955	10/23/2014	KLIPPEL TOOL REPAIR DBA	COMPRESSORS MAINT/BUS PARTS	1,387.67	
107956	10/23/2014	LANSPEED DBA	SOFTWARE SUPPORT	1,072.50	
107957	10/23/2014	LAWSON PRODUCTS INC	SHOP SUPPLIES	227.47	
107958	10/23/2014	ROBERT LECOUNT	TOOL ALLOWANCE	1,100.00	
107959	10/23/2014	JUAN MARTINEZ	TOOL ALLOWANCE	300.00	
107960	10/23/2014	MC CORMIX CORP. (OIL)	LUBRICANTS	1,748.47	

Check #	Date	Company	Description	Amount	VOIDS
107961	10/23/2014	MC CORMIX CORP. (GAS)	FUEL-SERVICE VEHICLES	2,240.50	
107962	10/23/2014	MURPHY ELECTRIC MAINTENANC	ELECTRICAL REPAIRS/INSTALLATION	138.55	
107963	10/23/2014	MOHAWK MFG. AND SUPPLY CO.	BUS PARTS	831.77	
107964	10/23/2014	NEWARK ELECTRONICS, CORP.	BUS PARTS	682.12	
107965	10/23/2014	PREVOST CAR INC.- CREDIT DEPT.	BUS PARTS	492.89	
107966	10/23/2014	AL ROMERO SR.	RETIREE HEALTH REIMBURSEMENT	120.00	
107967	10/23/2014	SILVAS OIL CO., INC.	LUBRICANTS	481.57	
107968	10/23/2014	SM TIRE, CORP.	BUS TIRE MOUNTING	164.00	
107969	10/23/2014	SO. CAL. EDISON CO.	UTILITIES	4,994.67	
107970	10/23/2014	SOUTHERN CALIFORNIA GAS CO	UTILITIES	108.40	
107971	10/23/2014	SPECIALTY TOOL & BOLT, LTD	SHOP SUPPLIES	127.02	
107972	10/23/2014	STAPLES INC. & SUBSIDIARIES	OFFICE SUPPLIES	549.25	
107973	10/23/2014	STEWART'S DE-ROOTING & PLUM	PLUMBING REPAIRS	170.00	
107974	10/23/2014	UNITED PARCEL SERVICE, INC.	FREIGHT CHARGES	367.07	
107975	10/23/2014	VALLEY POWER SYSTEMS, INC.	BUS PARTS	262.73	
107976	10/23/2014	VALLEY POWER SYSTEMS, INC.	BUS PARTS	180.00	
107977	10/23/2014	VERIZON CALIFORNIA	TELEPHONES	1,834.28	
107978	10/23/2014	VERIZON WIRELESS	WIRELESS PHONES	190.05	
107979	10/23/2014	VOLT	CONTRACT EMPLOYMENT	2,310.00	
107980	10/23/2014	WAXIE SANITARY SUPPLY DBA	JANITORIAL SUPPLIES	782.85	
107981	10/23/2014	ALEXANDER YOUNG	RETIREE HEALTH REIMBURSEMENT	285.00	
107982	10/28/2014	CA STATE OF BOARD OF EQUALIZ	SALES/CONSUMER USE TAX	2,149.00	
107983	10/31/2014	MARY DEALE	PAYROLL RELATED	106.15	
107984	10/31/2014	STATE OF CALIFORNIA/FTB	PAYROLL RELATED	162.64	
107985	10/31/2014	STATE OF CALIFORNIA	PAYROLL RELATED	371.46	
107986	10/31/2014	OR DEPT OF JUSTICE	PAYROLL RELATED	145.11	
107987	10/31/2014	ANN BRADY OTTIERI	PAYROLL RELATED	277.00	
107988	10/31/2014	SB COUNTY FEDERAL CREDIT UNI	PAYROLL DEDUCTION	1,060.00	
107989	10/31/2014	KAREN SEELEY	PAYROLL RELATED	75.69	
107990	10/31/2014	SANTA BARBARA SHERIFF'S DEPT	PAYROLL RELATED	75.00	
107991	10/31/2014	STERTIL-KONI USA, INC	MOBILE LIFTS	44,898.39	
107992	10/31/2014	TEAMSTERS UNION LOCAL NO. 18	UNION DUES	380.72	
				145,324.32	
				Current Cash Report Voided Checks:	0.00
				Prior Cash Report Voided Checks:	0.00
				Grand Total:	\$145,324.32

**Santa Barbara Metropolitan Transit District
Cash Receipts of Accounts Receivable**

Date	Company	Description	Amount
10/21/2014	S.B.C.A.G.	CEL Commuter Service - Aug. 2014	8,412.93
10/21/2014	S.B.C.A.G.	CEL Commuter Service - July 2014	10,513.86
10/22/2014	Measure A, Section 3 LSTI	Measure "A" Funds - June 2014	190,276.05
10/22/2014	SB School District	Passes/Token Sales	1,150.00
10/23/2014	Idea Ventures Inc./SC Public Radio	Advertising on Buses	6,516.10
10/24/2014	City of S.B. Waterfront Department	Waterfront Shuttle Service-Cruise Ship 10/13	4,125.52
10/27/2014	County of Santa Barbara	Passes/Token Sales	1,751.25
10/28/2014	KCSB - FM	Advertising on Buses	396.00
10/28/2014	United Way, Santa Barbara County	Advertising on Buses	2,385.00
10/29/2014	City of SB - CDBG Program	Bus Stop Improvements Grant	216.00
11/3/2014	ASTI Holding Company, LLC	Overpass Property Lease - Nov. 2014	15,310.45
11/3/2014	City of SB - Browning Allen	Downtown Shuttle - Oct. 2014	87,085.66
11/3/2014	City of SB - Browning Allen	Downtown Shuttle - June 2014	0.32
Total Accounts Receivable Paid During Period			\$328,139.14

Santa Barbara Metropolitan Transit District
Cash Report
Board Meeting of November 25, 2014
For the Period November 4, 2014 through November 17, 2014

MONEY MARKET

Beginning Balance November 4, 2014 **\$11,046,457.67**

Accounts Receivable	201,573.04
Passenger Fares	162,430.69
UCSB Fares	99,402.85
Advertising/Prepaid Deposi	99,402.85
Miscellaneous/Asset Sales	17,868.83
Interest Income- Oct '14	2,373.64
Total Deposits	583,051.90

ACH Garn/Escrow	(1,510.19)
Bank Fees - Oct '14	(4,251.57)
WC Transfer - Oct '14	(31,062.54)
ACH Pensions Transfer	(38,574.14)
ACH Tax Deposit	(138,142.30)
Payroll Transfer	(296,822.21)
Operations Transfer	(589,763.32)
Total Disbursements	(1,100,126.27)

Ending Balance **\$10,529,383.30**

CASH INVESTMENTS

LAIF Account	\$3,331,693.59
Money Market Account	10,529,383.30

Total Cash Balance **\$13,861,076.89**

SELF INSURED LIABILITY ACCOUNTS

WC / Liability Reserves	(\$3,783,550.48)
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Working Capital **\$10,077,526.41**

**Santa Barbara Metropolitan Transit District
Accounts Payable**

Check #	Date	Company	Description	Amount	Voids
107993	11/6/2014	ABC BUS COMPANIES INC	BUS PARTS	835.39	
107994	11/6/2014	ACCONTEMPS DBA	CONTRACT EMPLOYMENT	2,850.08	
107995	11/6/2014	ROGER ACEVES	DIRECTOR FEES	180.00	
107996	11/6/2014	AMERICAN SEATING	BUS SEATS & PARTS	89.55	
107997	11/6/2014	AXLE TECH INTERNATIONAL D	BUS PARTS	832.19	
107998	11/6/2014	B2B SERVICES DBA	OFFICE SUPPLIES & SIGNS	99.36	
107999	11/6/2014	BIG BRAND TIRES, BRANDCO BILL	SERVICE VEHICLE MAINTENANCE	1,106.14	
108000	11/6/2014	BUSINESS AND LEGAL REPORTS, I	SAFETY TRAINING	1,135.00	
108001	11/6/2014	CALIFORNIA ELECTRIC SUPPLY, I	SHOP/B&G SUPPLIES	360.09	
108002	11/6/2014	CARQUEST AUTO PARTS	BUS PARTS & SUPPLIES	238.50	
108003	11/6/2014	COMMLINE INC.	TWO-WAY RADIO SUPPLIES	58.32	
108004	11/6/2014	CINTAS CORPORATION NO. 2	FIRST AID SUPPLIES	102.32	
108005	11/6/2014	CIO SOLUTIONS, LP	PROFESSIONAL SERVICES	292.25	
108006	11/6/2014	COAST TRUCK PARTS	BUS PARTS	141.63	
108007	11/6/2014	COX COMMUNICATIONS, CORP.	INTERNET & CABLE TV	98.00	
108008	11/6/2014	CUMMINS PACIFIC, LLC	BUS PARTS	10,163.19	
108009	11/6/2014	DAVID DAVIS JR.	DIRECTOR FEES	180.00	
108010	11/6/2014	DOCUPRODUCTS CORPORATION	COPIER COPIES & SUPPLIES	46.66	
108011	11/6/2014	DRUG TESTING NETWORK, INC	DRUG TESTING	34.95	
108012	11/6/2014	EBUS, INC.	BUS PARTS	362.17	
108013	11/6/2014	EMPLOYER ADVISORY COUNCIL	JOB FAIR REGISTRATION FEE	35.00	
108014	11/6/2014	ERGOMETRICS, INC.	DRIVER TEST SCORING	25.00	
108015	11/6/2014	CARLOS FLORES	TOOL ALLOWANCE	1,100.00	
108016	11/6/2014	FUSES UNLIMITED, INC	B&G SUPPLIES	66.40	
108017	11/6/2014	GIBBS INTERNATIONAL INC	BUS PARTS	2,015.30	
108018	11/6/2014	GILLIG LLC	BUS PARTS	6,749.48	
108019	11/6/2014	GOODYEAR TIRE & RUBBER CO	LEASED TIRES	11,457.47	
108020	11/6/2014	GRAINGER, INC.	SHOP/B&G SUPPLIES	149.69	
108021	11/6/2014	HD SUPPLY WHITE CAP CONSTR. S	B&G SUPPLIES/SHOP SUPPLIES	2,829.70	
108022	11/6/2014	H.G. MAKELIM CO., INC.	BUS PARTS	909.81	
108023	11/6/2014	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	143.34	
108024	11/6/2014	HR AUTOGLASS DBA	BUS PARTS/REPAIRS	190.00	
108025	11/6/2014	IPC (USA), INC.	BUS FUEL	74,623.68	
108026	11/6/2014	JACK-X-CHANGE DBA	B&G REPAIRS & SUPPLIES	635.11	
108027	11/6/2014	J n L GLASS INC.	REPLACE BUS WINDOWS	142.00	
108028	11/6/2014	LANSPEED DBA	SOFTWARE SUPPORT	390.00	
108029	11/6/2014	LARA'S AUTO REPAIR DBA	BUS REPAIRS	135.00	
108030	11/6/2014	LUBRICATION ENGINEERS, INC.	LUBRICANTS	179.17	

Check #	Date	Company	Description	Amount	Voids
108031	11/6/2014	LUMINATOR MASS TRANSIT	BUS PARTS	282.74	
108032	11/6/2014	JUAN MARTINEZ	TOOL ALLOWANCE	46.45	
108033	11/6/2014	MC CORMIX CORP. (OIL)	LUBRICANTS	4,363.51	
108034	11/6/2014	MCGOWAN GUNTERMANN	ANNUAL AUDIT	7,753.00	
108035	11/6/2014	MCMASTER-CARR SUPPLY CO.	SHOP/B&G SUPPLIES	14.64	
108036	11/6/2014	CHUCK MCQUARY	DIRECTOR FEES	180.00	
108037	11/6/2014	MIKE CUEVAS GARDENING SERVI	LANDSCAPE MAINTENANCE SERVICE	695.00	
108038	11/6/2014	MISSION LINEN SUPPLY, INC	UNIFORM & LINEN SERVICE	8,162.53	
108039	11/6/2014	NEWEGG, INC	COMPUTER SUPPLIES & REPAIRS	365.46	
108040	11/6/2014	NEWARK ELECTRONICS, CORP.	BUS PARTS	176.27	
108041	11/6/2014	NU-COOL REDI GREEN, INC	COOLANTS & SHOP SUPPLIES	535.68	
108042	11/6/2014	PREVOST CAR INC.- CREDIT DEPT.	BUS PARTS	829.14	
108043	11/6/2014	PETTY CASH - ALEXANDER, NANC	MISC. PURCHASES	386.85	
108044	11/6/2014	RECARO NORTH AMERICA, INC	BUS PARTS	1,952.70	
108045	11/6/2014	OLIVIA RODRIGUEZ	DIRECTOR FEES	180.00	
108046	11/6/2014	SB LOCKSMITHS, INC.	B&G REPAIR & SUPPLIES	29.60	
108047	11/6/2014	WILLIAM JOHN SHELOR	DIRECTOR FEES	180.00	
108048	11/6/2014	SM TIRE, CORP.	BUS TIRE MOUNTING	424.72	
108049	11/6/2014	SO. CAL. EDISON CO.	UTILITIES	8,133.09	
108050	11/6/2014	SOAP MAN DISTRIBUTIN DBA	CLEANING SUPPLIES	196.02	
108051	11/6/2014	SPECIALTY TOOL & BOLT, LTD	SHOP SUPPLIES	9.07	
108052	11/6/2014	STAPLES INC. & SUBSIDIARIES	OFFICE SUPPLIES	31.63	
108053	11/6/2014	STAPLES CREDIT PLAN	OFFICE & COMPUTER SUPPLIES	451.38	
108054	11/6/2014	SB CITY OF-REFUSE/WATER	UTILITIES	5,083.57	
108055	11/6/2014	THE MEDCENTER	MEDICAL EXAMS	2,528.00	
108056	11/6/2014	TILFORD WELDING	VENDOR BUS REPAIRS	600.00	
108057	11/6/2014	DAVID T. TABOR	DIRECTOR FEES	180.00	
108058	11/6/2014	TANK TEAM INC.	TANK TESTS	123.00	
108059	11/6/2014	TOTAL SHREDDING LLC	PROFESSIONAL SERVICE	250.00	
108060	11/6/2014	TRI-CO REPROGRAPHICS DBA	BLUE PRINT COPIES	8.26	
108061	11/6/2014	TREAS.TAX COLLECTOR,Harry E. H	PROPERTY TAXES - OVERPASS SITE	421.40	
108062	11/6/2014	TRANSIT PRODUCTS AND SERVIC	BUS PARTS	1,022.00	
108063	11/6/2014	ULTIMATE BLIND CLEANING DB	REPAIR BLINDS	265.00	
108064	11/6/2014	VALLEY POWER SYSTEMS, INC.	BUS PARTS	1,101.88	
108065	11/6/2014	VERIZON WIRELESS	WIRELESS PHONES	570.30	
108066	11/6/2014	VOLT	CONTRACT EMPLOYMENT	4,620.00	
108067	11/6/2014	WAXIE SANITARY SUPPLY DBA	JANITORIAL SUPPLIES	1,424.16	
108068	11/6/2014	RICHARD WEINBERG	DIRECTOR FEES	180.00	
108069	11/14/2014	ABC BUS COMPANIES INC	BUS PARTS	285.26	
108070	11/14/2014	ACCONTEMPS DBA	CONTRACT EMPLOYMENT	1,434.00	
108071	11/14/2014	AMERICAN SEATING	BUS SEATS & PARTS	2,065.50	

Check #	Date	Company	Description	Amount	Voids
108072	11/14/2014	AXLE TECH INTERNATIONAL	D BUS PARTS	270.00	
108073	11/14/2014	B2B SERVICES	DBA OFFICE SUPPLIES & SIGNS	63.72	
108074	11/14/2014	BICKMORE INC	WC ACTUARIAL REVIEW	500.00	
108075	11/14/2014	BIG GREEN CLEANING CO.	DBA JANITORIAL SERV./SUPPLIES	5,240.00	
108076	11/14/2014	BUENA TOOL, INC.	BUS STOP SUPPLIES	17.17	
108077	11/14/2014	CAPITOL HARDWARE & BUILDING	B&G SUPPLIES	1.77	
108078	11/14/2014	CARQUEST AUTO PARTS	BUS PARTS & SUPPLIES	108.31	
108079	11/14/2014	CENTRAL COAST CIRCULATION, L	BUS BOOK DISTRIBUTION	575.00	
108080	11/14/2014	COAST TRUCK PARTS	BUS PARTS	740.31	
108081	11/14/2014	COX COMMUNICATIONS, CORP.	INTERNET & CABLE TV	326.37	
108082	11/14/2014	CUMMINS PACIFIC, LLC	BUS PARTS	772.05	
108083	11/14/2014	MARY DEAIL	PAYROLL RELATED	106.15	
108084	11/14/2014	DELTA DENTAL OF CALIFORNIA	DENTAL INSURANCE	9,589.30	
108085	11/14/2014	DELTA DENTAL INSURANCE COM	DENTAL INSURANCE	2,353.00	
108086	11/14/2014	DOWNTOWN ORGANIZATION, INC	TC MAINTENANCE	450.00	
108087	11/14/2014	EASY LIFT TRANSPORTATION, IN	ADA SUBSIDY	52,422.00	
108088	11/14/2014	STATE OF CALIFORNIA/FTB	PAYROLL RELATED	156.87	
108089	11/14/2014	STATE OF CALIFORNIA	PAYROLL RELATED	374.22	
108090	11/14/2014	GIBBS INTERNATIONAL INC	BUS PARTS	1,215.90	
108091	11/14/2014	GILLIG LLC	BUS PARTS	4,625.40	
108092	11/14/2014	GUARDIAN-APPLETON (DENTAL I	DENTAL INSURANCE	4,011.24	
108093	11/14/2014	GUARDIAN-APPLETON (LIFE INS)	LIFE INSURANCE	574.88	
108094	11/14/2014	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	19.38	
108095	11/14/2014	HR AUTOGLASS	DBA BUS PARTS/REPAIRS	190.00	
108096	11/14/2014	INTERCON TECHNOLOGIES	DBA EV/CHARGER REPAIRS	2,040.00	
108097	11/14/2014	IPC (USA), INC.	BUS FUEL	49,528.35	
108098	11/14/2014	KIMBALL MIDWEST	SHOP SUPPLIES	199.97	
108099	11/14/2014	KIRKS AUTOMOTIVE, INC	BUS/AUTO PARTS	1,998.00	
108100	11/14/2014	MC CORMIX CORP. (GAS)	FUEL-SERVICE VEHICLES	2,320.51	
108101	11/14/2014	MCMASTER-CARR SUPPLY CO.	SHOP/B&G SUPPLIES	123.03	
108102	11/14/2014	MEDICAL EYE SERVICES, INC.	VISION SERVICES	292.80	
108103	11/14/2014	MURPHY ELECTRIC MAINTENANC	ELECTRICAL REPAIRS/INSTALLATION	966.37	
108104	11/14/2014	MOHAWK MFG. AND SUPPLY CO.	BUS PARTS	855.02	
108105	11/14/2014	MOUNTAIN SPRING WATER	SHOP & OFFICE SUPPLIES	1,467.55	
108106	11/14/2014	NU-COOL REDI GREEN, INC	COOLANTS & SHOP SUPPLIES	246.24	
108107	11/14/2014	OR DEPT OF JUSTICE	PAYROLL RELATED	145.11	
108108	11/14/2014	PERFORMANCE TURBOCHARGERS	BUS PARTS	21,362.40	
108109	11/14/2014	ROGERS, SHEFFIELD & CAMPBELL	LEGAL COUNSEL	8,458.50	
108110	11/14/2014	SB COUNTY FEDERAL CREDIT UNI	PAYROLL DEDUCTION	1,210.00	
108111	11/14/2014	SILVAS OIL CO., INC.	LUBRICANTS	497.30	
108112	11/14/2014	SPECIAL DISTRICT RISK MGMT	MEDICAL HEALTH INSURANCE	44,032.38	

Check #	Date	Company	Description	Amount	Voids
108113	11/14/2014	KAREN SEELEY	PAYROLL RELATED	75.69	
108114	11/14/2014	SANTA BARBARA SHERIFF'S DEPT	PAYROLL RELATED	75.00	
108115	11/14/2014	SM TIRE, CORP.	BUS TIRE MOUNTING	585.50	
108116	11/14/2014	SIMPLEX GRINNELL	FIRE ALARM SERVICES	654.44	
108117	11/14/2014	SO. CAL. EDISON CO.	UTILITIES	2,290.53	
108118	11/14/2014	SOFTWARE SECURITY SOLUTIONS	OFFICE MACHINES MAINTENANCE	900.00	
108119	11/14/2014	STAPLES INC. & SUBSIDIARIES	OFFICE SUPPLIES	34.58	
108120	11/14/2014	STEWART'S DE-ROOTING & PLUM	PLUMBING REPAIRS	160.00	
108121	11/14/2014	TEAMSTERS MISC SECURITY TRU	UNION MEDICAL/DENTAL	161,730.00	
108122	11/14/2014	TEAMSTERS UNION LOCAL NO. 18	UNION DUES	10,354.69	
108123	11/14/2014	VALLEY POWER SYSTEMS, INC.	BUS PARTS	639.89	
108124	11/14/2014	VALLEY POWER SYSTEMS, INC.	BUS PARTS	1,850.90	
108125	11/14/2014	VAQUERO SYSTEMS	PROFESSIONAL SERVICES	4,512.50	
108126	11/14/2014	VERIZON CALIFORNIA	TELEPHONES	89.99	
108127	11/14/2014	VOLT	CONTRACT EMPLOYMENT	2,310.00	
108128	11/14/2014	VOICES TRANSLATION AND INTE	TRANSLATION	350.00	
108129	11/14/2014	WAXIE SANITARY SUPPLY DBA	JANITORIAL SUPPLIES	1,164.66	
108130	11/14/2014	WAYTEK INC.	BUS PARTS	126.98	
108131	11/14/2014	WURTH USA WEST INC.	SHOP SUPPLIES	716.65	
108132	11/14/2014	YELLOW (YRC) TRANSPORTATIO	FREIGHT CHARGES	1,894.00	
108133	11/14/2014	ANN BRADY OTTIERI	PAYROLL RELATED	277.00	
				589,763.32	
Current Cash Report Voided Checks:				0.00	
Prior Cash Report Voided Checks:				0.00	
Grand Total:				\$589,763.32	

**Santa Barbara Metropolitan Transit District
Cash Receipts of Accounts Receivable**

Date	Company	Description	Amount
7/31/2014	S.B.C.A.G.	CEL Commuter Service, June 2014	208.19
11/4/2014	City of S.B. Waterfront Department	Waterfront Shuttle Service-Cruise Ship 10/23	4,243.28
11/4/2014	Cottage Hospital	Passes/Token Sales	472.50
11/4/2014	County of Santa Barbara	Passes/Token Sales	364.00
11/4/2014	SB School District	Passes/Token Sales	41,250.00
11/4/2014	UCSB - Parking Services-7001	Passes/Passports Sales	8,048.00
11/4/2014	UCSB - Parking Services-7001	Passes/Passports Sales	240.00
11/4/2014	UCSB Bookstore	Passes/Passport Sales	16,150.00
11/5/2014	Jim Haggerty	Retiree - Vision	12.20
11/5/2014	Union Bank/Eleven Inc.	Advertising on Buses	15,580.50
11/6/2014	Public Surplus	Sale of Surplus Property	2,025.00
11/7/2014	Montecito Bank & Trust	Advertising on Buses	3,448.00
11/7/2014	Wells Marketing, LLC	Advertising on Buses	1,759.50
11/12/2014	Godzilla Graphics	Advertising on Buses	3,170.50
11/13/2014	Department of Rehabilitation	Passes/Passports Sales	52.00
11/13/2014	Department of Rehabilitation	Passes/Passports Sales	-20.00
11/13/2014	Department of Rehabilitation	Passes/Passports Sales	504.00
11/13/2014	UCSB - Contract Fares	Contract Fares - Oct. 2014	99,402.86
11/17/2014	ASTI Holding Company, LLC	Overpass Property Tax	419.23
11/17/2014	City of S.B. Waterfront Department	Waterfront Shuttle Service-Cruise Ship 10/31	4,243.28
Total Accounts Receivable Paid During Period			\$201,573.04



BOARD OF DIRECTORS REPORT

MEETING DATE: NOVEMBER 25, 2014

AGENDA ITEM # 8

TYPE: ACTION

PREPARED BY: NATASHA GARDUNO

Signature

REVIEWED BY: GENERAL MANAGER

GM Signature

SUBJECT: Recommend Approval of Changes to Bus Advertising Policy

RECOMMENDATIONS:

Staff recommends that the Board approve the following changes to the bus advertising policy:

- Increase King and Tail advertising rates by approximately 17%, and that the Queen advertising rates remain unchanged (new rates to go into effect January 1, 2015).
- Reduce the interior advertising rates for all fleets as described in the Interior Ad Rates portion of this report (effective immediately upon Board approval).
- Reduce the agency discount for advertising purchases to 10% (effective immediately upon Board approval).

DISCUSSION:

Advertising rates were last increased in August 2011, at which time the Board approved staff's recommendation of a 15% increase to all rates. Recently, staff compared MTD's current bus advertising rates to other California public transit agencies of similar size in service area population (Gold Coast, Monterey-Salinas, and Santa Cruz). The chart on the following page reflects MTD's 1-month rates compared to those from the agencies mentioned (all agencies listed provide a discount to the 1 month rate for length of contract: 3-months, 6-months, 12-months).

Exterior Ads	Gold Coast	Monterey-Salinas	Santa Cruz	Santa Barbara MTD
King	\$450	\$380	\$350	\$298
Queen	\$280	\$195	\$242	\$232
Tail	\$325	\$170	\$237	\$276

MTD's King spaces have the highest demand, and for the last two years have had 100% of the inventory sold. The Tails are the next popular space with approximately 75% of the inventory sold each year. However, the Queen spaces are the hardest to sell with approximately 34% of the inventory sold each year. It has been expressed by advertisers that the Queen spaces are the least favorable due to target audience visibility. Based on the result of the per sign price comparison and historical sales ratio percentages, staff recommends that only the King and Tail advertising rates be increased with an effective date of January 1, 2015.

Interior Ad Rates

Interior advertising for all fleet vehicles (Diesel & Hybrid, DWS, Crosstown, and Seaside) is sold at monthly flat rates. The only other transit agency of those surveyed that sells interior ad space in the same fashion is Gold Coast Transit. On the Diesel & Hybrid fleets, MTD provides interior ad space in two sizes. The chart below reflects MTD's current flat monthly rates for these spaces compared to the Gold Coast Transit rates.

Interior – Diesel & Hybrid	Santa Barbara MTD	Gold Coast Transit
11 x 17	\$395	\$250
11 x 28	\$555	\$300

* The rates shown are for the display of one card in each bus (approx 90 ads for the Diesel & Hybrid fleet)

Over the years interior ad sales have been low. Each MTD Diesel/Hybrid bus has 480 inches of interior space, with a total of 518,400 inches of space annually for the combined fleets. For this calendar year we have only sold 87,480 inches of interior space or 17%. Many local non-profit agencies and small start-up businesses are interested in this space but have not been able to advertise as they have expressed that the current rates are too high for their budgets. It is staff's recommendation that the interior ad rates be lowered to match those of Gold Coast Transit effective immediately upon Board approval.

The MTD electric shuttle fleets (DWS, Crosstown, and Seaside) have not had any interior sales for the last few years. The chart below reflects the current flat monthly rates for these fleets.

DWS (12 shuttles)	Crosstown (5 shuttles)	Seaside (2 shuttles)
\$1,150	\$460	\$230

* The rates shown are for the display of one card in each shuttle

Staff recommends lowering the flat monthly rate for shuttle interiors by 50% effective immediately upon board approval as a way to attract advertisers.

Agency Discount

MTD currently offers a 15% agency discount on advertising contracts. In 2013 there were seven (7) advertising contracts with agency discounts that totaled approximately \$50k. To date for the 2014 calendar year (12) advertising contracts have been executed with agency discounts totaling approximately \$62k.

The number of contracts brought by agencies has almost doubled for the current calendar year and has partly contributed toward the increased revenue that had been received for this year. Staff recommends retaining the agency discount, but with a reduction to 10% effective immediately upon Board approval.

BOARD OF DIRECTORS REPORT

MEETING DATE: NOVEMBER 25, 2014 **AGENDA ITEM #:** 9

TYPE: INFORMATION

PREPARED BY: THAIS SAYAT

Signature

REVIEWED BY: GENERAL MANAGER

GM Signature

SUBJECT: **Presentation of Fiscal Year 2013-14 Draft Financial Statements & Compliance Report**

DISCUSSION:

A representative of McGowan Guntermann will present the District's Draft Financial Statements and Compliance Report for fiscal year 2013-14.

**SANTA BARBARA
METROPOLITAN TRANSIT DISTRICT
FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014 AND 2013**

Draft

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

June 30, 2014 and 2013

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

111 E. Victoria Street 2nd Floor, Santa Barbara, CA 93101, (805) 962-9175, Fax: (805) 962-8925, www.mcgowan.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Santa Barbara Metropolitan Transit District
Santa Barbara, California

We have audited the accompanying financial statements as listed in the preceding table of contents of the Santa Barbara Metropolitan Transit District (District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Santa Barbara Metropolitan Transit District as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages I - VI and the schedule of funding progress of other postemployment healthcare plan on page 29, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

November 17, 2014

Management's Discussion and Analysis for Fiscal Year 2013-14

This report provides a narrative and analytical overview of the financial activities of the Santa Barbara Metropolitan Transit District (District). The District's basic financial statements are prepared using proprietary fund (enterprise fund) accounting, the same basis of accounting as that used by private-sector business enterprises. The District operates under one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a balance sheet, a statement of revenues, expenses and changes in net position, and a statement of cash flows. These are followed by notes to the financial statements and required supplementary information.

Financial Reports

The balance sheets present information on the assets and liabilities, with the difference between the two reported as net position.

The statements of revenue, expenses and changes in net position report the District's annual operating and non-operating revenue and expenses combined with any capital grants (net of depreciation expense) to determine the change in net position for the fiscal years. That change, combined with the previous year-end net position total, reconciles to the net position total at the end of the fiscal years. The statement of expenses reports detailed amounts of operating costs incurred during the fiscal years.

The statements of cash flow report annual cash and cash equivalent activities resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The net result of these activities, added to the beginning of the year cash balance, agrees to the cash and cash equivalent balance at the end of the fiscal years. Certificates of deposit that exceed ninety days on acquisition are not considered cash equivalents.

Financial Summary

The District completed fiscal year 2013-14 with an increase in its Net Position (unrestricted) of \$1,211,709. The majority of the increase from the previous year was attributable to TDA-LTF sales tax revenue exceeding expectations by approximately \$300,000, while federal operating assistance was \$119,000 more than budgeted. Operating expense associated with Risk & Safety, which includes workers compensation and liability costs was approximately \$536,000 less than what was budgeted for the year.

Also, a one-time adjustment of \$1,299,391 to restate the 2013 Net Position (unrestricted) figure to reflect the result of an actuarially-derived "incurred but not reported" workers compensation liability adjustment is reflected in the financials. The District is self-insured for workers compensation expenditures in excess of \$250,000 per claim.

The District implemented an actuarial review of its workers' compensation self-insurance program. CSAC Excess Insurance Authority requires the District disclose the liability associated with the cost of reported claims expenses, as well as unreported claims. Based on the actuarial review, management booked the one-time adjustment of \$1,299,391 to increase the estimated

liability on the books to account for prior year activity as of June 30, 2013. The liability reflects a balance of \$3,767,000 to better reflect the revised valuation.

Assets and Liabilities

The District uses proceeds from local, state and federal grants to acquire its capital assets. Net assets serve as a useful indicator of an agency's financial position.

Statement of Net Assets June 30

Assets:	2014	2013
Current Assets	\$17,706,845	\$15,784,760
Non-Current Assets	32,285,000	34,882,469
Total Assets	<u>\$49,991,845</u>	<u>\$50,667,229</u>
Liabilities:		
Current Liabilities	\$1,708,927	\$1,567,548
Non-Current Liabilities	6,864,840	6,295,843
Total Liabilities	<u>\$8,573,767</u>	<u>\$7,863,391</u>
Net Position:		
Invested in capital assets	\$28,948,306	\$27,293,575
Restricted	3,336,694	7,588,894
Unrestricted	9,133,078	7,921,369
Total Net Position	<u>\$41,418,078</u>	<u>\$42,803,838</u>

The net decrease of \$4,252,200 in Restricted Net Position reflects the acquisition of eleven 40' diesel buses. The remaining balance of \$3,336,694 of Proposition 1B cash advances is committed to the acquisition of three additional 40' diesel buses and an automated vehicle location system. The automated vehicle location system is scheduled for completion in early calendar year 2016.

Revenue, Expense and Performance Indicators

The District's three primary sources of revenue are passenger fares, federal operating assistance and Transportation Development Act (TDA) receipts. Passenger fares for fiscal year 2013-14 were \$8,127,762, versus \$8,082,232 in fiscal year 2012-13, resulting in an increase of \$45,530. As the table below illustrates, passenger fare revenue has increased for the first time since the first full year of the last fare rate change (January 2009).

	Fiscal Year					
	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Passenger Fares	\$8,127,762	\$8,082,232	\$8,136,840	\$8,149,358	\$8,259,939	\$7,967,940

Transportation Development Act (TDA) Local Transportation Funds (TDA-LTF) and State Transit Assistance (TDA-STA)

	Fiscal Year					
	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Local Transportation Fund (SB 325 - LTF):	\$7,242,771	\$6,910,477	\$6,196,529	\$5,749,854	\$5,608,291	\$6,172,289
State Transit Assistance Fund (SB 620 - STA):	123,878	84,740	259,569	513,984	305,420	566,330
	<u>\$7,366,649</u>	<u>\$6,995,217</u>	<u>\$6,456,098</u>	<u>\$6,263,838</u>	<u>\$5,913,711</u>	<u>\$6,738,619</u>

In fiscal year 2013-14, TDA funding increased by \$371,431 or 5%. These funds constitute a significant percentage of the District's revenue. The TDA-LTF funds are used to balance the operating budget, while TDA-STA funds are used for capital acquisitions.

Historically, the District managed to balance the operating budget with TDA-LTF funds while also allocating approximately one million dollars annually to capital costs. The one million in TDA-LTF funds supplemented the TDA-STA funds to balance the capital budget. Due to the historic drop in sales tax revenue between fiscal years 2007-08 and 2009-10, the District is no longer able to set aside significant amounts of TDA-LTF funds for its capital budget. To do so, the District would have to increase passenger fares and/or cut service levels substantially. Fortunately, the availability of Proposition 1B and State Transit Assistance funds have satisfied the capital financing needs of the District, and have temporarily offset the need to reallocate TDA-LTF funds from operating activities.

The use of TDA-STA for capital acquisitions increased by \$39,138 in fiscal year 2013-14. The total reimbursement requested for capital acquisitions was \$123,878. The District has approximately \$7,549,211 in TDA-STA allocated for future capital purchases, from which it can draw. The funds are intended to be used on planned and future bus purchases as well as other miscellaneous capital projects. The funds are held by the Santa Barbara County Association of Governments (SBCAG).

Operating expenses, before depreciation, reflected a net increase of \$2,119,625 or 10%, in fiscal year 2013-14. However, prior year operating expense included a one-time credit of \$2,006,000 to retiree health insurance expense to account for the reduced actuarially-derived estimated liability. The reduction was related to changes to retiree health insurance benefits negotiated via the collective bargaining process. Excluding the aforementioned credit, operating expense grew by approximately \$113,625 or less than 1%.

Wages and fringe benefits increased by \$1,954,138 and accounted for 76% of the District's operating costs before depreciation in fiscal year 2013-14. Excluding the one-time adjustment for the actuarially-derived estimated liability pertaining to health insurance expense (OPEB) of \$2,006,000 in fiscal year 2012-13, wages and fringe benefits decreased by approximately \$52,000.

Santa Barbara Metropolitan Transit District
Revenue, Expense and Performance Report
Years Ended June 30, 2014 and 2013

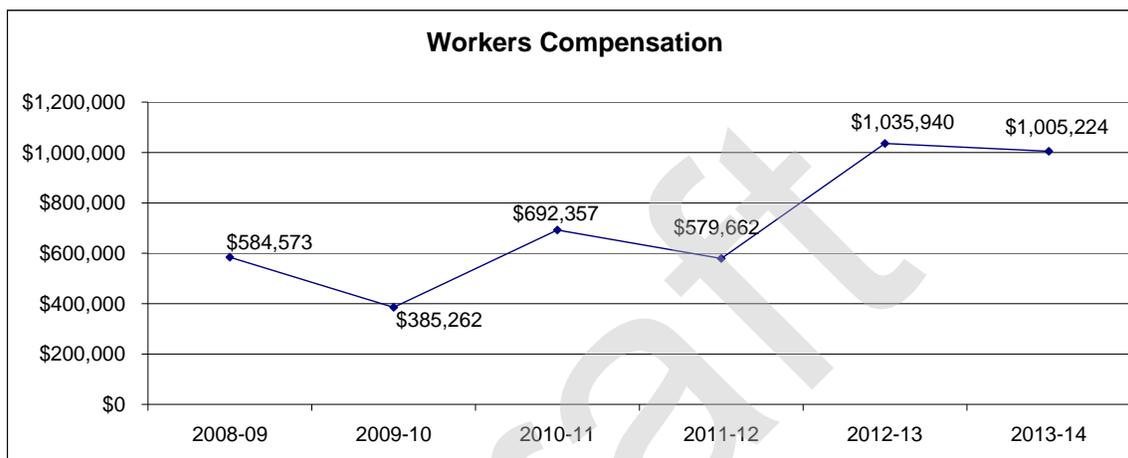
	Actual FY 2013-14	Prior Year FY 2012-13	Actual vs. Prior % Change	Budget FY 2013-14	Actual vs. Budget % Change
Revenues:					
Passenger Fares	\$8,127,765	\$8,082,232	0.6%	\$8,079,458	0.6%
Local Operating Assistance	202,483	245,270	-17.4%	89,190	127.0%
Non-Transportation Revenue ⁽¹⁾	825,217	748,942	10.2%	787,115	4.8%
Total :	<u>\$9,155,465</u>	<u>\$9,076,444</u>	0.9%	<u>\$8,955,763</u>	2.2%
Major Subsidies:					
Operating					
TDA-LTF	\$7,242,771	\$6,910,477	4.8%	\$6,941,974	4.3%
Federal Operating Assistance	4,943,999	4,854,006	1.9%	4,825,078	2.5%
Measure A	1,890,866	1,795,800	-	1,811,872	4.4%
Property Tax	985,328	1,080,069	-8.8%	965,000	2.1%
Total :	<u>\$15,062,964</u>	<u>\$14,640,352</u>	2.9%	<u>\$14,543,924</u>	3.6%
Capital					
TDA-LTF & TDA-STA	\$123,878	\$84,740	46.2%	\$3,960,918	-96.9%
Federal Grants	23,212	1,005,301	-97.7%	2,407,536	-99.0%
Measure A	190,276	342,921	-44.5%	1,932,845	-90.2%
Proposition 1B	264,214	1,616,851	-83.7%	7,965,281	-96.7%
Total :	<u>\$601,580</u>	<u>\$3,049,813</u>	-80.3%	<u>\$16,266,580</u>	-96.3%
Total Revenue	\$24,820,009	\$26,766,609	-7.3%	\$39,766,267	-37.6%
Expenses:					
Vehicle Operations	\$13,026,263	\$12,442,301	4.7%	\$13,641,481	-4.5%
Vehicle Maintenance	5,692,759	5,435,227	4.7%	5,785,590	-1.6%
Passenger Facilities	1,350,017	1,360,992	-0.8%	1,486,375	-9.2%
General Overhead	2,548,228	2,326,246	9.5%	2,473,164	3.0%
OPEB - Retiree Healthcare	207,974	(980,157)	-121.2%	83,077	-
Total :	<u>\$22,825,241</u>	<u>\$20,584,609</u>	10.9%	<u>\$23,469,687</u>	-2.7%
Depreciation	\$3,271,993	\$3,137,385			
Total Expense	\$26,097,234	\$23,721,994			
Performance Indicators:					
Total Passengers	7,623,860	7,774,329	-1.9%		
Revenue Hours	201,234	199,138	1.1%		
Revenue Miles	2,556,499	2,513,126	1.7%		
Farebox Ratio ⁽²⁾	35.6%	39.3%	-9.3%		
Cost/Passenger	\$2.99	\$2.65	13.1%		
Cost/Hour	\$113.43	\$103.37	9.7%		
Cost/Mile	\$8.93	\$8.19	9.0%		
Passenger/Hour	37.89	39.04	-3.0%		
Passenger/Mile	2.98	3.09	-3.6%		

(1) Of the \$825,217 in non-transportation revenue for fiscal year 2013-14, \$496,705 was generated by advertising revenue. The District offers advertising opportunities on the inside and outside of its buses.

(2) Farebox Ratio is a standard transit performance indicator that is calculated by dividing operating expenses, less depreciation and interest, by passenger fares.

Fiscal Year 2013-14 Financial Performance

Financially the District performed very well in fiscal year 2013-14. Expenses related to general liability and workers compensation decreased from prior year results. The general liability cost in fiscal year 2013-14 totaled \$409,428, which increased by approximately \$77,000 from the prior year. Workers Compensation costs in fiscal year 2013-14 totaled \$1,014,524, which was a decrease of approximately \$67,000. Although workers compensation costs decreased, it is noteworthy to identify the District's concern there has been a sharp increase in workers compensation costs over the past several years. Specifically this cost has nearly doubled from \$584,573 five years ago.



The cost of fuel and lubricants, including service vehicle expense, was \$2,226,490, a decrease of \$84,000 from the prior year. The District's fixed-price diesel fuel contract, for its bus fleet, was \$3.06 per gallon for the last six months of the year, and \$3.25 during the first six months. The District's primary goal pertaining to the fixed-price diesel fuel contract is to ensure price stability. .

Sales Tax Revenue, TDA-LTF (End-of-year payments applied to fiscal year in which they were received by the County)							
	Actual / FY 2013-14	Actual / FY 2012-13	Actual FY 2011-12	Actual FY 2010-11	Actual FY 2009-10	Actual FY 2008-09	Actual FY 2007-08
EOY	\$308,621	\$528,867	\$205,379	\$0	\$0	\$0	\$0
Jul	479,991	440,842	418,070	365,398	380,950	479,174	455,572
Aug	640,102	591,246	557,628	487,191	512,845	639,257	608,583
Sep	594,593	633,225	615,272	618,759	476,285	592,450	726,428
Oct	501,987	453,220	402,094	390,803	395,348	480,108	499,376
Nov	669,665	607,944	536,746	521,319	448,250	640,933	666,708
Dec	584,360	656,868	716,945	606,422	616,009	533,269	601,220
Jan	479,468	465,684	443,233	421,218	403,925	476,771	525,222
Feb	629,406	621,072	591,201	561,843	538,886	523,346	702,118
Mar	692,255	555,128	591,919	493,126	483,064	485,681	447,241
Apr	454,330	437,868	402,671	357,329	340,244	384,963	429,860
May	605,914	583,983	537,303	524,276	497,508	414,082	574,228
Jun	602,078	334,531	178,068	402,167	514,976	522,256	588,850
Total:	\$7,242,771	\$6,910,477	\$6,196,529	\$5,749,853	\$5,608,291	\$6,172,289	\$6,825,407

TDA-LTF sales tax revenue of \$7,242,771 represented an increase of 5% or \$332,294. TDA-LTF sales tax revenue is relied upon to balance the operating budget and in fiscal year 2013-14 the amount received was sufficient to do so, including the actuarially-derived estimated liability expense associated with retiree health insurance (OPEB) of \$151,000 and workers compensation of \$356,000. Both liabilities remain unfunded “pay-as-you-go” at this time. Management plans on proposing to begin funding these liabilities in the coming year.

Financial Outlook

The District has slightly increased service levels in the current year and employee wage rates have begun to rise. This follows a prolonged period of frozen employee wage rates and a modest reduction in service levels. The steps were taken to ensure that operating expense remained flat, while sales tax revenue recovered from the sharp decline experienced as a result of the Great Recession. Financially, the approach served the District well, but the demand for additional public transit service during peak travel times has increased significantly. In fiscal year 2013-14, the Board of Directors authorized a small increase in the total number of service hours provided to address the most pressing needs. Sales tax revenue trends continue to rise but have slowed significantly from the low point of fiscal year 2009-10.

Capital Budget

The state of California has continued to fund the State Transit Assistance (TDA-STA) program the past few years despite critical general fund needs. Voter approval of Proposition 30 provided the State with some temporary relief. However, state budget deficits may become a concern again in the future, which may call into question the reliability of the TDA-STA funding source for the District. With the appropriation of various one-time federal and state grants, including the remaining balance of TDA-STA funds and the initiation of the Measure A – Transit Capital Program, the District's capital budget is projected to be made whole without the use of TDA-LTF sales tax revenue. Below is a list of other significant issues that will impact the District's finances in the near future:

- Electric and diesel bus acquisitions – The District is planning to rebuild eight replacement electric shuttles paid for with federal and TDA-STA funds. Additionally, five replacement 40' buses are budgeted and will be paid for with a combination of Proposition 1B and federal 5339 capital funds. The final allocation of Proposition 1B bond funds is in progress. The District has claimed a portion of the funds for a Smartcard project, while the remainder was requested for additional bus replacements and the refurbishment of the Transit Center.
- The two-year federal Transportation Bill (MAP-21) is valid through September 30, 2014. Management is cautiously optimistic that a new transportation spending bill will not significantly reduce the formula funding. MAP-21 legislation resulted in an increase in annual federal 5307 formula funding to \$4.8 million from \$4.3 million. The increase was due predominantly to a 50% increase in the Small Transit Intensive Cities (STIC) program, which is a component of the 5307 formula funding.
- Management budgeted 2% annual increases in sales tax revenue via the Measure A ordinance, as well as for the TDA-LTF funding program.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

STATEMENTS OF NET POSITION

June 30, 2014 and 2013

ASSETS

	2014	Restatement (note 15) 2013
	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and equivalents	\$ 15,814,022	\$ 7,578,297
Grants receivable	333,043	6,752,291
Other receivable	169,773	145,774
Materials and supplies inventories	1,102,634	1,126,712
Other current assets	<u>287,373</u>	<u>181,686</u>
Total Current Assets	<u>17,706,845</u>	<u>15,784,760</u>
NON-CURRENT ASSETS		
Cash restricted for capital support	3,336,694	7,588,894
Capital assets:		
Tangible transit operating property	63,346,401	60,789,459
Less: Accumulated depreciation	<u>(34,398,095)</u>	<u>(33,495,884)</u>
Capital Assets, net	<u>28,948,306</u>	<u>27,293,575</u>
Total Non-Current Assets	<u>32,285,000</u>	<u>34,882,469</u>
TOTAL ASSETS	<u>\$ 49,991,845</u>	<u>\$ 50,667,229</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 408,129	\$ 327,110
Accrued payroll	1,097,096	1,035,802
Accrued expenses	<u>203,702</u>	<u>204,636</u>
Total Current Liabilities	<u>1,708,927</u>	<u>1,567,548</u>
NON-CURRENT LIABILITIES		
Compensated absences payable	338,291	346,648
Accrued damage, injury, and employee claims	3,783,549	3,357,195
Accrued other post employment benefits	<u>2,743,000</u>	<u>2,592,000</u>
Total Non-Current Liabilities	<u>6,864,840</u>	<u>6,295,843</u>
Total Liabilities	8,573,767	7,863,391
NET POSITION		
Invested in capital assets	28,948,306	27,293,575
Restricted	3,336,694	7,588,894
Unrestricted	<u>9,133,078</u>	<u>7,921,369</u>
TOTAL NET POSITION	<u>41,418,078</u>	<u>42,803,838</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 49,991,845</u>	<u>\$ 50,667,229</u>

The accompanying notes are an integral part of these basic financial statements.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

For the Years Ended June 30, 2014 and 2013

	2014	Restatement (note 15) 2013
	<u>2014</u>	<u>2013</u>
OPERATING REVENUE, NOT INCLUDING LOCAL AND FEDERAL ASSISTANCE		
Passenger fares	\$ 8,127,762	\$ 8,082,232
OPERATING EXPENSES		
Vehicle operations	13,026,262	12,563,301
Vehicle maintenance	5,692,758	5,435,227
Passenger facilities	1,350,016	1,360,992
General overhead	2,548,224	2,326,246
Postemployment health care benefits (Notes 15 - 16)	<u>207,974</u>	<u>(980,157)</u>
Total before Depreciation	22,825,234	20,705,609
Depreciation	<u>3,271,993</u>	<u>3,137,385</u>
Total Expenses	<u>26,097,227</u>	<u>23,842,994</u>
OPERATING LOSS	<u>(17,969,465)</u>	<u>(15,760,762)</u>
NON-OPERATING REVENUE		
Non-transportation revenue, including interest, advertising, rent and miscellaneous	825,217	748,942
Taxes levied by Santa Barbara County for Transit District	985,328	1,080,069
Transportation Development Act funding and allocations	7,366,649	6,589,668
Federal grants	4,920,840	5,859,306
Proposition 1B grants	264,214	1,616,851
Measure A grants	2,081,142	2,140,941
Miscellaneous grants	202,483	245,270
Loss on disposal of assets	<u>(62,168)</u>	<u>(37,172)</u>
Total Non-Operating Revenue	<u>16,583,705</u>	<u>18,243,875</u>
CHANGE IN NET POSITION	(1,385,760)	2,483,113
BEGINNING OF YEAR NET POSITION	42,803,838	41,499,116
Prior period adjustment, correction of an error	<u>-</u>	<u>(1,178,391)</u>
END OF YEAR NET POSITION	<u>\$ 41,418,078</u>	<u>\$ 42,803,838</u>

The accompanying notes are an integral part of these basic financial statements.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

STATEMENTS OF EXPENSES
For the Years Ended June 30, 2014 and 2013

	2014	Restatement (note 15) 2013
LABOR		
Operators' wages	\$ 6,326,225	\$ 6,031,419
Other salaries and wages	<u>3,826,913</u>	<u>3,629,186</u>
Total Labor	<u>10,153,138</u>	<u>9,660,605</u>
FRINGE BENEFITS		
Payroll taxes	919,095	873,195
Retirement plans	1,276,958	1,251,001
Health and welfare (Notes 15 and 16)	2,399,864	860,011
Workers compensation	1,014,524	1,202,192
Sick pay	260,574	241,150
Holiday pay	378,193	373,155
Vacation pay	781,285	747,594
Other paid absences	75,099	89,121
Uniforms and tool allowances	<u>46,622</u>	<u>53,190</u>
Total Fringe Benefits	<u>7,152,214</u>	<u>5,690,609</u>
SERVICES		
Professional and technical including directors' fees	346,088	348,404
Outside services	92,369	89,847
Contract maintenance services	332,886	315,615
Promotion and printing	<u>89,515</u>	<u>156,518</u>
Total Services	<u>860,858</u>	<u>910,384</u>
MATERIALS AND SUPPLIES		
Fuels and lubricants	2,226,490	2,310,412
Tires and tubes	149,126	143,028
Bus parts	632,100	534,658
Other materials and supplies	197,174	192,742
Electric bus power	<u>81,593</u>	<u>53,853</u>
Total Material and Supplies	<u>3,286,483</u>	<u>3,234,693</u>
UTILITIES AND TELEPHONE	<u>203,370</u>	<u>196,138</u>
CASUALTY AND LIABILITY COSTS	<u>338,753</u>	<u>262,761</u>
PURCHASED TRANSPORTATION	<u>624,268</u>	<u>574,411</u>
MISCELLANEOUS EXPENSES		
Dues and subscriptions	42,907	40,751
Travel, meetings and training	21,088	17,320
Purchased media	2,852	3,625
Other miscellaneous expenses	<u>139,303</u>	<u>114,312</u>
Total Miscellaneous Expenses	<u>206,150</u>	<u>176,008</u>
Total Expenses before Depreciation	22,825,234	20,705,609
DEPRECIATION	<u>3,271,993</u>	<u>3,137,385</u>
TOTAL EXPENSES	<u>\$ 26,097,227</u>	<u>\$ 23,842,994</u>

The accompanying notes are an integral part of these basic financial statements.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2014 and 2013

	2014	Restatement (note 15) 2013
	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATIONS		
Receipts from transit customers	\$ 8,106,340	\$ 8,082,232
Payments to suppliers and vendors	(3,910,650)	(5,151,207)
Payments to employees/benefits	<u>(17,093,095)</u>	<u>(16,236,487)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(12,897,405)</u>	<u>(13,305,462)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	19,495,942	12,574,933
Non-transportation revenue, including advertising, rental and miscellaneous	754,911	703,419
Taxes levied by Santa Barbara County	<u>985,328</u>	<u>1,080,069</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>21,236,181</u>	<u>14,358,421</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(5,038,659)	(1,769,117)
State of California Prop 1B grant advance	144,849	89,228
State of California Prop 1B PTMISA grant advance	(1,086,831)	973,686
Federal, state and local capital grants received	<u>1,542,451</u>	<u>850,939</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(4,438,190)</u>	<u>144,736</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	<u>82,938</u>	<u>68,427</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>82,938</u>	<u>68,427</u>
NET INCREASE IN CASH AND EQUIVALENTS	3,983,524	1,266,122
CASH AND EQUIVALENTS		
BEGINNING OF YEAR	<u>15,167,192</u>	<u>13,901,070</u>
END OF YEAR	<u>\$ 19,150,716</u>	<u>\$ 15,167,192</u>
Cash and equivalents	\$ 15,814,022	\$ 7,578,297
Cash restricted for capital support	<u>3,336,694</u>	<u>7,588,894</u>
TOTAL CASH AND EQUIVALENTS	<u>\$ 19,150,716</u>	<u>\$ 15,167,191</u>

The accompanying notes are an integral part of these basic financial statements.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Years Ended June 30, 2014 and 2013

	2014	Restatement (note 15) 2013
	<u>2014</u>	<u>2013</u>
Reconciliation of operating loss to net cash used		
by operating activities		
Operating loss	\$ (17,969,465)	\$ (15,760,762)
Charges to cost of service not requiring current expenditure		
of cash:		
Depreciation	3,271,993	3,137,385
Loss on disposal of assets	62,168	37,172
Changes in:		
Other receivable - excluding grants	(23,999)	128,167
Materials and supplies inventories	24,078	(104,620)
Other current assets	(105,687)	25,271
Accounts payable and accrued expenses net of capital acquisitions	141,379	(295,095)
Compensated absences payable	(8,357)	30,554
Accrued damage, injury, and employee claims	426,354	545,466
Accrued other post employment benefits	<u>1,284,131</u>	<u>(1,049,000)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (12,897,405)</u>	<u>\$ (13,305,462)</u>

The accompanying notes are an integral part of these basic financial statements.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1 – REPORTING ENTITY

The Santa Barbara Metropolitan Transit District, a government entity, was formed under the terms of the Santa Barbara Metropolitan Transit District Act for 1965, Part 9, of the California Public Utilities Code amended in 1967. The District provides local public transportation services to the metropolitan Santa Barbara area which encompasses the outlying communities of Goleta, Montecito and Carpinteria.

In accordance with the requirements of Governmental Accounting Standards Board, the financial statements must present the District (the primary government) and its component units. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements.

Note 2 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the District, the reporting entity. The District accounts for its operations as an enterprise fund. Operating revenues and expenses result from providing transportation services. All other revenues and expenses are reported as nonoperating revenues and expenses. The accounting records of the District are subject to the uniform accounting system for transit districts as set forth by the Federal Transit Authority (FTA) and the State Controller.

The financial statements of the District are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

Taxes, including homeowners' property tax relief, are remitted from the County Tax Collector. Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1	
Levy Date	July 1 to June 30	
Due Date	November 1	(1st installment)
	February 1	(2nd installment)
Delinquent Date	December 10	(1st installment)
	April 10	(2nd installment)

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Under California Law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the District based on complex formulas prescribed by state statutes.

The District receives capital grants from certain governmental agencies to be used for various purposes connected with the planning, modernization, and expansion of transportation facilities and equipment. In fiscal 2003, the District adopted GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, which requires capital grants to be reported as revenue rather than contributed capital. The amounts recorded as capital grant revenue and advances in fiscal 2014 and 2013 were \$5,038,659 and \$1,769,117, respectively.

For purposes of the statement of cash flows, the District considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Capital assets are stated at cost, less accumulated depreciation computed on the straight-line method over the following lives:

Buildings	20 to 40 years
Buses and equipment	3 to 12 years
Office and shop equipment	5 to 10 years
Automotive equipment	3 to 5 years

The inventories are composed of bus parts, fuels and lubricants and are valued at cost on a weighted-average basis.

The District accrues for vested vacation pay when it is earned by employees. The amount of vested vacation pay accrued as of June 30, 2014 and 2013 was \$783,250 and \$771,292, respectively.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain reclassifications have been made to the prior year's financial statements to conform to the 2014 presentation.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3 – DEPOSITS AND INVESTMENTS

At June 30, 2014 and 2013, the composition of cash deposits consisted of petty cash and change funds, money market accounts, and certificates of deposit as follows:

	<u>2014 Fair Value</u>	<u>2013 Fair Value</u>
Cash deposits		
Money market accounts	\$12,415,863	\$ 2,988,265
Prop 1B-OHS savings	764,692	611,809
Prop 1B-PTMISEA savings	2,572,002	6,977,085
Local Agency Investment Fund (LAIF)	<u>3,331,694</u>	<u>3,323,673</u>
Total cash deposits	19,084,251	13,900,832
Petty cash and change funds	<u>66,461</u>	<u>79,221</u>
Total	<u>\$19,150,712</u>	<u>\$13,980,053</u>

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the District's exposure to custodial credit risk for deposits, except that the California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. All of the District's funds are held in two financial institutions, Union Bank (Bank) and the State of California's Local Agency Investment Fund (LAIF). All of these funds are insured or collateralized. The Bank funds are collateralized by the Bank's trust department but not in the District's name. The District does not have a formal investment policy. As of June 30, 2014 the District had \$764,692 of Prop 1B-OHS cash restricted for use in acquiring AVL/security cameras for the District. The District also had \$2,572,002 of Prop 1B-PTMISEA cash restricted for the acquisition of replacement buses (\$1,622,103) and the AVL/security cameras (\$949,899).

The District participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to the change in interest rates.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3 – DEPOSITS AND INVESTMENTS (continued)

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District’s investment in this pool as of June 30, 2014, \$3,331,694, is reported in the accompanying financial statements at amounts based upon the District’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 4 – CAPITAL ASSETS

Changes in transit operating property during the years ended June 30, 2014 and 2013, are as follows:

	July 1, 2013	Additions	Reclassi- fications	Disposals	June 30, 2014
Capital assets not depreciated					
Land	\$ 5,596,296	\$ -	\$ -	\$ -	\$ 5,596,296
Work in process	245,855	183,145	(71,976)	-	357,024
Capital assets depreciated					
Buildings	12,879,816	64,077		(21,999)	12,921,894
Buses	37,467,382	4,674,799	20,750	(2,218,281)	39,944,650
Other equipment	4,600,110	116,637	1,459	(191,670)	4,526,536
	<u>\$ 60,789,459</u>	<u>\$ 5,038,658</u>	<u>\$ (49,767)</u>	<u>\$ (2,431,950)</u>	<u>\$ 63,346,400</u>
	July 1, 2012	Additions	Reclassi- fications	Disposals	June 30, 2013
Capital assets not depreciated					
Land	\$ 5,596,296	\$ -	\$ -	\$ -	\$ 5,596,296
Work in process	1,019,867	104,539	(869,781)	(8,771)	245,854
Capital assets depreciated					
Buildings	12,325,811	89,649	467,446	(3,090)	12,879,816
Buses	36,869,096	1,179,109		(580,818)	37,467,387
Other equipment	3,815,062	395,820	402,335	(13,111)	4,600,106
	<u>\$ 59,626,132</u>	<u>\$ 1,769,117</u>	<u>\$ -</u>	<u>\$ (605,790)</u>	<u>\$ 60,789,459</u>

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 5 – NET POSITION

The majority of unrestricted net position represents excess Transportation Development Act revenue received. Pursuant to Section 6634 of the California Administrative Code - Transportation Development Act, a transit claimant is precluded from receiving monies from the Local Transportation Fund and State Transit Assistance Fund in an amount which exceed that claimant's capital and operating costs, less the required fares, local support, and the amount received during the year from a city or county to which the operator provides service beyond its boundaries. The District receives its TDA allocation for the next fiscal year in February of the preceding year. The District's fiscal year extends from July to June. The District is required to submit its claim for the subsequent year by April 1st. As such, the claim is based on the District's draft budget for the coming year. As a result, actual operating expenditures and capital acquisitions tend to vary resulting in the aforementioned unrestricted net position. The funds provide working capital (cash flow) to the District throughout the year and act as a reserve for any unexpected events.

Restricted net position represent prefunding of Prop 1B grants from the State of California for capital acquisitions (see note 3).

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6 – NET POSITION INVESTED IN CAPITAL ASSETS

An analysis of the net position invested in capital assets is as follows:

	<u>2014</u>	<u>2013</u>
State and local grants activity:		
State Transit Assistance Fund (SB 620)	\$ 123,878	\$ 84,740
Refund of prior year capital grant	-	(405,549)
Federal Grants		
FTA Section 5307 - capital grant	14,953	1,005,300
FTA Section 5309 - capital grant	8,259	-
Prop 1B grants	4,542,890	553,937
Measure A grants	190,276	342,921
Miscellaneous grants	<u>108,635</u>	<u>177,038</u>
Net grants received	4,988,891	1,758,387
Less: Depreciation expense - current	(3,271,993)	(3,137,385)
Less: Grant equity on disposal of assets	<u>(62,168)</u>	<u>(34,955)</u>
Net change in capital grants	1,654,730	(1,413,953)
Balance, July 1	<u>27,293,575</u>	<u>28,707,528</u>
Balance, June 30	<u>\$ 28,948,305</u>	<u>\$ 27,293,575</u>

An analysis of the capital funding is as follows:

State and local grants:		
Local Transportation Fund (SB 325)	\$ 8,061,711	\$ 8,982,038
State Transit Assistance Fund (SB 620)	10,420,100	10,565,744
Federal Grants		
FTA Section 5307	23,827,499	24,961,120
FTA Section 5309	6,899,226	6,890,967
FTA Section 5312	4,001	4,001
District capital	129,329	129,329
Miscellaneous grants	13,007,903	8,259,628
CalStart grant	<u>996,631</u>	<u>996,631</u>
Total Capital Funding	63,346,400	60,789,458
Less: Accumulated depreciation expense	<u>(34,398,095)</u>	<u>(33,495,883)</u>
Net Position Invested in Capital Assets	<u>\$ 28,948,305</u>	<u>\$ 27,293,575</u>

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7 – TRANSPORTATION DEVELOPMENT ACT FUNDING AND ALLOCATIONS

Transportation development act funding and allocations for the year ended June 30:

	<u>2014</u>	<u>2013</u>
Funding		
Local Transportation Fund (SB 325)	\$ 7,242,771	\$ 6,910,477
State Transit Assistance Fund (SB 620)	<u>123,878</u>	<u>84,740</u>
	<u>\$ 7,366,649</u>	<u>\$ 6,995,217</u>
Usage		
Operations	\$ 7,242,771	\$ 6,910,477
Capital projects	<u>123,878</u>	<u>84,740</u>
	<u>\$ 7,366,649</u>	<u>\$ 6,995,217</u>

Note 8 – FEDERAL GRANTS AND REIMBURSEMENTS

Federal grants and reimbursements for the year ended June 30:

	<u>2014</u>	<u>2013</u>
FTA		
Operating grants	\$ 4,943,999	\$ 4,854,006
Capital grants	<u>23,212</u>	<u>1,005,301</u>
Total	<u>\$ 4,967,211</u>	<u>\$ 5,859,307</u>

Note 9 – RECEIVABLES

Grants receivable at June 30, 2014 and 2013, are summarized as follows:

	<u>2014</u>	<u>2013</u>
Federal Transit Administration	\$ 18,889	\$ 5,830,379
State Transit Assistance Fund (SB 620)	123,878	84,740
Other grants	<u>193,744</u>	<u>837,172</u>
	<u>\$ 336,511</u>	<u>\$ 6,752,291</u>
Other receivables are as follows		
Trade receivables	<u>\$ 166,305</u>	<u>\$ 145,774</u>

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10 – SICK PAY

Accrued sick pay is summarized as follows:

	<u>2014</u>	<u>2013</u>
Total accrued sick pay	\$ 1,553,726	\$ 1,521,215
Amount of sick pay vested, in accordance with the union agreement and District policy, and recorded on the financial statements	<u>405,176</u>	<u>410,643</u>
Total	<u>\$ 1,148,550</u>	<u>\$ 1,110,572</u>

Note 11 – RETIREMENT PLANS

Two employee groups are covered:

<u>Employee Group</u>	<u>Plan names</u>	<u>2014 Cost</u>	<u>2013 Cost</u>
1. Union	Teamsters	\$ 1,062,278	\$ 1,043,945
2. Non-Union	Profit-Sharing and Salary Deferral Plan and Trust, and Money Purchase Pension Plan and Trust	<u>214,679</u>	<u>207,058</u>
		<u>\$ 1,276,957</u>	<u>\$ 1,251,003</u>

TEAMSTERS PENSION PLAN

This plan covers union employees and is a "cost sharing" plan. The District had the following statistics

	<u>2014</u>	<u>2013</u>
Total labor	\$10,166,450	\$9,683,658
Pensionable wages	9,120,618	8,682,108
Required work hour contribution (up to 173 hours per month)	\$3.18	\$3.18
Total pension hours	333,550	328,337

Since the District is not involved with the operations or administration of the Teamsters Pension Plan, information relating to the current funding liability is not available. Based on the most recent actuarial certification the Plan is in the "green zone" for 2014, meaning the Plan is in good financial condition. More information can be found at <http://www.wctpension.org/index.html>.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11 – RETIREMENT PLANS (continued)

PROFIT-SHARING AND SALARY DEFERRAL PLAN AND TRUST

Effective July 1, 1985, the District established the above-named retirement plans for employees not covered by the union plan. The plans are administered by the District, which contracts the administration to HUB International.

The District contributes to the Profit-Sharing and Salary Deferral Plan an amount equal to 3% and 7%, respectively, of the compensation for all eligible participants. Contributions by the District to the Salary Deferral Plan are fully vested at the time of contribution. Contributions by the District to the Profit-Sharing Plan are vested ratably over a four-year period. The District is not obligated to make contributions to the Profit-Sharing Plan however its contributions must be regular and continuing in order for the Plan to receive favorable tax treatment under Internal Revenue Code Section 401(k).

The District's contributions for fiscal year 2014 were based upon a payroll of \$2,146,794 for non-union employees. The District contributed \$214,679 (10% of covered payroll) and covered employees contributed \$215,408 (10% of covered payroll)

The District's contributions for fiscal year 2013 based upon a payroll of \$2,070,578 for non-union employees. The District contributed \$207,058 (10% of covered payroll) and covered employees contributed \$195,137 (9% of covered payroll)

Note 12 – RISK MANAGEMENT

The District is exposed to various risks of losses related to injuries to employees and the public, damage to and destruction of assets, and errors and omissions.

The District has Self-Insured Retention policies with general liability coverage of \$10 million on any one claim, including self-insured amounts per claim as follows:

April 1, 1995 to March 31, 2001	\$250,000
April 1, 2001 to March 31, 2002	\$100,000
April 1, 2002 to March 31, 2014	\$250,000

The District has elected to self-insure its obligations for workers' compensation claims. The District has insurance from outside carriers for individual claims in excess of \$500,000 for 2003, with a \$5 million limit on any one claim. As of January 1, 2004, the District increased the amount that is self-insured to \$1.5 million, with a \$10 million limit on any one claim. As of January 1, 2005 the District joined CSAC Excess Insurance Authority and decreased self-insurance by the District to \$500,000 with a limit of \$200 million limit on any one claim.

There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the four years prior.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12 – RISK MANAGEMENT (continued)

Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. The District's insurance adjusters and attorneys help to determine the amount of actual or potential claims against the District. An analysis of claims activities for general liability and workers' compensation liability is presented below:

	<u>2014</u>	<u>2013</u>
Claims liability – beginning of year	\$ 2,057,804	\$ 1,633,338
Claims and changes in estimates	2,128,654	794,620
Actual claim payments	<u>(402,907)</u>	<u>(370,154)</u>
Claims liability – end of year	<u>\$ 3,783,551</u>	<u>\$ 2,057,804</u>

Note 13 – COMMITMENTS

Paratransit Service – Easy Lift

For fiscal year 2014, the District has agreed to provide Easy Lift a subsidy of \$624,268 for the paratransit services. The amount is to be adjusted by mutual consent if the District requests an adjustment in the amount of paratransit service to be provided, and the contract can be extended up to and including June 30, 2016. If for any reason, Easy Lift failed to provide the required ADA paratransit service, the District would continue to be responsible for the service under Federal law. The District would be required to implement a replacement service on very short notice, at a cost that would likely exceed the current subsidy.

The District is required under Federal law, the Americans with Disabilities Act of 1990 (ADA), to ensure that complementary paratransit service is available wherever and whenever the District provides fixed-route bus service. The District complies with this requirement by partially subsidizing the paratransit service provided by Easy Lift Transportation. The District signed a contract with Easy Lift in March 2003, which was amended in May 2013, for these services. Either party can terminate this agreement within 120 days of year end.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13 – COMMITMENTS (continued)

Bus Tire Lease

The District has a contract with the Goodyear Tire & Rubber Company (Goodyear) to furnish the District with a sufficient quantity of tires to keep all vehicles fully equipped and to provide a reserve supply, at a maximum level determined by Goodyear, as spare stock inventory to be mounted on rims and kept in the District's garage for use in case of emergency. The District provides Goodyear with mileage for each vehicle in its fleet on a monthly basis and is billed in accordance with its agreement. Both parties have the option to terminate this agreement with 30-days' notice. The rates per tire increase by an agreed-upon percentage annually. For fiscal year 2014, the rates paid by the District for contractual amounts are as follows:

Gilligs	\$0.041406
MCI	\$0.055208
Novas/Gilligs	\$0.054013
Group D Novas	\$0.056708

Note 14 – CONTINGENCIES

Federal Grant Contracts

The terms of the federal grant contracts require the District to, in part, utilize the equipment and facilities for the purposes specified in the grant agreement, maintain these items in operation for a specified time period, which normally approximates the useful life of the equipment, and to comply with the Equal Employment Opportunity and Affirmative Action programs required by the Transportation Equity Act for the 21st Century. Failure to comply with these terms may jeopardize future funding and require the Authority to refund a portion of these grants to the Federal Department of Transportation. In management's opinion, no events have occurred that would result in the termination of these grants or require the refund of a significant amount of funds received under these grants.

Note 15 – RESTATEMENT

The June 30, 2013 financial statements have been restated based on a change due to an actuarially determined workers' compensation liability. The changes were as follows:

7/1/2012 workers' compensation reserve increase:	\$1,178,391
6/30/2013 workers' compensation reserve increase:	<u>1,299,391</u>
Increase in 6/30/2013 workers' compensation expense	<u>\$ 121,000</u>

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 16 - DEFINED BENEFIT POSTEMPLOYMENT HEALTH BENEFIT PLAN

Plan Descriptions

The District provides postretirement health benefits in the form of monthly reimbursement towards the retiree's health plan premium for eligible union retirees, and eligible staff retirees and their spouses of amounts not to exceed \$285 per month. Benefits for both union and non-union retirees are provided by United Healthcare group plan.

Funding Policy and Annual OPEB Cost

The Plan is funded on a pay-as-you-go basis. The District uses a June 30 measurement date and an assumed annual interest rate of 5.0 percent.

The District's annual other postemployment benefit (OPEB) cost (expense) for the Plan is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the normal cost and amortization of unfunded actuarial liabilities over 30 years. The District's annual OPEB cost for the fiscal year 2014 and related information are as follows:

Annual required contribution*	\$ 190,000
Interest on net OPEB obligation	130,000
Adjustment to annual required contribution	<u>(112,000)</u>
Annual OPEB cost	208,000
Contributions made	<u>(57,000)</u>
Increase in net OPEB obligation	151,000
Net OPEB obligation beginning of year	<u>2,592,000</u>
Net OPEB obligation end of year	<u>\$ 2,743,000</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation, were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	Percentage of <u>OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/11	\$ 1,154,000	11.5%	\$ 2,825,000
6/30/12	\$ 974,000	16.2%	\$ 3,641,000
6/30/13	\$ 1,033,000	7.4%	\$ 2,592,000
6/30/14	\$ 208,000	27.4%	\$ 2,743,000

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 16 - DEFINED BENEFIT POSTEMPLOYMENT HEALTH BENEFIT PLAN (continued)

Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2014, was as follows:

Actuarial accrued liability (a)	\$ 2,743,000
Actuarial value of plan assets (b)	<u>-</u>
Unfunded actuarial accrued liability (funding excess) (a)-(b)	<u>\$ 2,743,000</u>
Funded ratio (b) / (a)	0%
Covered payroll (c)	\$ 10,439,608
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll [(a)-(b)]/(c)	26.3%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the Plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	6/30/2013
Actuarial cost method	Entry Age
Amortization method	Level percentage of pay
Remaining amortization period	Open 30 years

Actuarial assumptions:

Investment rate of return	5%
Projected salary increase	3.25%
Healthcare inflation rate	
Initial	5% to 14.55%,
Ultimate, # of years	5% after 11 years

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Draft

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

Required Supplementary Information

Schedule of Funding Progress of Postemployment Healthcare Plan

The following Schedule of Funding Progress shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The interest rate is 5% and the salary scale is 3.25% for both periods. (Amounts in thousands of dollars).

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
Actual	7/1/2009	\$0	\$11,166	\$11,166	\$0	\$10,617	105.2%
Actual	7/1/2011	\$0	\$10,725	\$10,725	\$0	\$9,902	108.3%
Actual	7/1/2013	\$0	\$2,592	\$2,592	\$0	\$10,111	25.6%

Actuarial review and analysis of OPEB liability and funding status is performed every two years or annually if there are significant changes in the plan. The next scheduled actuarial study for the District is in 2015.

**SANTA BARBARA
METROPOLITAN TRANSIT DISTRICT**

COMPLIANCE REPORTS

JUNE 30, 2014

Draft

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

JUNE 30, 2014

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

111 E. Victoria Street 2nd Floor, Santa Barbara, CA 93101, (805) 962-9175, Fax: (805) 962-8925, www.mcgowan.com

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards

Board of Directors
Santa Barbara Metropolitan Transit District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Santa Barbara Metropolitan Transit District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 17, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 17, 2014



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Independent Auditor's Report on State Compliance

Board of Directors
Santa Barbara Metropolitan Transit District

Report on Compliance with Transportation Development Act Requirements

We have audited the Santa Barbara Metropolitan Transit District's (the District) compliance with Transportation Development Act (TDA) requirements that funds allocated to and received by the District were expended in conformance with applicable statutes, rules, and regulations of the TDA and the allocation instructions and resolutions of the Santa Barbara County Association of Governments as required by Section 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations during the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the applicable statutes, rules, and regulations of the TDA.

Auditor's Responsibility

Our responsibility is to express an opinion for each of the District's compliance requirement referred to in Section 6667, which requires that for a transit claimant, the independent auditor shall perform at least the following tasks:

- (a) Determine whether the claimant was an entity eligible to receive the funds allocated to it,
- (b) Determine whether the claimant is maintaining its accounts and records on an enterprise fund basis and is otherwise in compliance with the uniform system of accounts and records adopted by the State Controller, pursuant to Public Utilities Code section 99234,
- (c) Determine whether the funds received by the claimant pursuant to the Act were expended in conformance with those sections of the Act specifying the qualifying purposes, including Public Utilities Code sections 99262 and 99263 for operators receiving funds under article 4, sections 99275, 99275.5 and 99277 for article 4.5 claimants, and section 99400(c), (d), and (e) for article 8 claimants for service provided under contract, and section 99405(d) for transportation services provided by cities and countries with populations of less than 5,000,
- (d) Determine whether the funds received by the claimants pursuant to the Act were expended in conformance with the applicable rules, regulations, and procedures of the transportation-planning agency and in compliance with the allocation instructions and resolutions,

- (e) Determine whether interest earned on funds received by the claimant, pursuant to the Act were expended only for those purposes for which the funds were allocated in accordance with Public Utilities Code sections 99234.1, 99301, 99301.5, 99301.6,
- (f) Verify the amount of the claimant's operating cost for the fiscal year, the amount of fare revenues required to meet the ratios specified in sections 6633.2 and 6633.5 and the amount of the sum of fare revenues and local support required to meet the ratios specified in the section 6633.2,
- (g) Verify the amount of the claimant's actual fare revenues for the fiscal year,
- (h) Verify the amount of the claimant's actual local support for the fiscal year,
- (i) Verify the amount of the claimants was eligible to receive under the Act during the fiscal year in accordance with sections 6634 and 6649,
- (j) Verify, if applicable, the amount of the operator's expenditure limitation in accordance with section 6633.1,
- (k) In the case of an operator, determine whether the operator's employee retirement system or private pension plan is in conformance with the provisions of Public Utilities Code sections 99271, 99272, 99273,
- (l) In the case of an operator, determine whether the operator has had a certification by the Department of the California Highway Patrol verifying that the operator is in compliance with section 1808.1 of the Vehicle Code, as required in Public Utilities Code section 99251,
- (m) In the case of an operator, verify, if applicable, its State Transit Assistance eligibility pursuant to Public Utilities Code section 99314.6 or 99314.7, and
- (n) In the case of a claimant for community transit services, determine whether it is in compliance with Public Utilities Code sections 99155 and 99155.5. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

Opinion on Transportation Development Act Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the Program for the year ended June 30, 2014.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the TDA. Accordingly, this report is not suitable for any other purpose.

Report on Public Transportation Modernization Improvement and Service Enhancement Account

Also, as part of our audit, we performed tests of compliance to determine whether certain state funds were received and expended in accordance with the applicable bond act and state accounting requirements.

In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by the statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA).

Additionally, section 8879.23 (h) directs that \$1 billion dollars be deposited in the Transit System Safety, Security and Disaster Response Account. This section further directs that \$100 hundred million dollars be made available upon appropriation by the legislature to entities for eligible transit system safety, security and disaster response projects. These funds are available to the California Department of Transportation for intercity rail projects and to transit operations in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement.

As of June 30, 2014, all Proposition 1B funds received and expended were verified in the course of our current and previous audits as follows:

	<u>PTMISEA</u>	<u>OHS</u>	<u>Total</u>
Unexpended proceeds July 1, 2013	\$ 6,977,085	\$ 611,809	\$ 7,588,894
For the year ended June 30, 2014:			
Proceeds received	-	264,214	264,214
Interest earned	18,442	2,777	21,219
Expenditures	<u>(4,423,525)</u>	<u>(114,108)</u>	<u>(4,537,634)</u>
Unexpended proceeds – year end	<u>\$ 2,572,002</u>	<u>\$ 764,692</u>	<u>\$ 3,336,694</u>

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's compliance with the applicable bond act and state accounting requirements.

November 17, 2014



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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Independent Auditor’s Report on Compliance
for Each Major Program and on Internal Control over
Compliance Required by *OMB Circular A-133* and
Schedule of Expenditures of Federal Awards

Board of Directors
Santa Barbara Metropolitan Transit District

Report on Compliance for Each Major Federal Program

We have audited the Santa Barbara Metropolitan Transit District’s (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2014. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District’s compliance

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 17, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

November 17, 2014

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2014

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF TRANSPORTATION – Federal Transit Administration			
Operating Grant	20.507	CA-90-Z164-00	\$ 4,943,999
Operating/Capital Grant	20.507	CA-90-Y035-02	14,953
Capital Grant	20.507	CA-04-068-02	<u>8,259</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,967,211</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2014

Note 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Santa Barbara Metropolitan Transit District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: **unqualified**

Internal control over financial reporting:

Material weakness identified? **No**

Significant deficiencies identified that are not considered to be material weaknesses? **none reported**

No instances of noncompliance material to financial statements were disclosed by the audit.

Federal Awards

Internal control over major programs:

Material weakness identified? **No**

Significant deficiencies identified that are not considered to be material weaknesses? **none reported**

Type of auditor’s report issued on compliance for major programs: **unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? **No**

Identification of major programs:

CFDA Number

20.507

Name of Federal Program or Cluster

U.S. DEPARTMENT OF TRANSPORTATION - Federal Transit Administration

Dollar threshold used to distinguish between type A and type B programs: **\$300,000**

Auditee qualified as low-risk auditee? **Yes**

Section II—Financial Statement Findings

None

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section III—Federal Award Findings and Questioned Costs

NO FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

Draft

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

Section III—Federal Award Findings and Questioned Costs

NO FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

Draft



BOARD OF DIRECTORS REPORT

MEETING DATE: NOVEMBER 25, 2014

AGENDA ITEM # 10

TYPE: INFORMATIONAL

PREPARED BY: STEVE HAHN

Signature

REVIEWED BY: GENERAL MANAGER

GM Signature

SUBJECT: Presentation of Fleet Compliance with California Air Resources Board Requirements

DISCUSSION:

Maintenance staff will provide the Board of Directors with a presentation related to MTD's fleet compliance with California Air Resources Board requirements.

To: MTD Board of Directors
From: Jerry Estrada, General Manager
Date: November 25, 2014
Subject: General Manager's Report

Planning

At its November meeting, the California Coastal Commission approved both UCSB's 2010 Long Range Development Plan and the Coastal Development Permit for the 1,000-student-bed San Joaquin project. To help offset the demand that will be created from the San Joaquin project, MTD and UCSB signed an agreement earlier this year for UCSB to provide to provide MTD with funding for enhanced transit service on Lines 24x and 12x, beginning in August 2015, and for a new Line 38, beginning in August 2016.

On November 13th, Planning staff attended an Eastside night walk led by the Coalition for Sustainable Transportation (COAST) to hear concerns about street and bus shelter lighting.

Operations

Both of our newest Operators-in-Training have progressed well these past few weeks. Jay Bryne completed his training as of November 13th, and has assumed his bid work effective Friday, November 14th. Eric Waldo is nearing the completion of his training schedule, and is expected to be released to drive on his own shortly.

On Saturday, October 25th, Santa Barbara Open Streets took place on Cabrillo Blvd. The Waterfront Shuttle was detoured due to the street closures, and ridership was minimal.

Service on Halloween weekend transpired smoothly. In preparation, extra supervision and staff was added. For whatever combination of factors (law enforcement presence, media postings, rainy weather, etc.), ridership and passenger activity was comparable to a "normal" Friday or Saturday evening. There was one incident of an egg hitting a bus near Franklin Center on Montecito Street. Beyond that, it was an incident-free Halloween weekend as it pertained to MTD. The Mesa/SBCC area and the UCSB/EI Colegio/Storke Road area were monitored and free of incidents. We utilized only a few buses that were going 10-19 (i.e., done with their run and heading to the terminal) to accommodate some of the Transit Center zone passengers, though it turned out in hindsight that the regular service would have sufficed. We also monitored Line 11 for crowding down the line, but there were no issues there. A big thanks goes out to our Drivers and Supervisors for another incident-free Halloween, rain included.

Our winter 2015 bidding process is in full motion, with expected completion by the beginning of December. This next bid is effective from December 15, 2014 to March 1, 2015. Operators are also bidding their vacation for this coming year, along with the holidays that take place during this time frame.

The annual Santa Barbara Marathon on Saturday, November 7th only slightly impacted MTD service, due to advanced planning initiated by our supervisors. Two extra supervisors were deployed in the affected areas (Lines 5, 6, 11, 24x, & 25) to mitigate the expected missed trips, delays and detours. The event concluded earlier than in past years, thus affecting less service.

MTD hosted a Transit Instructor Network meeting on Friday, November 14th. This group is a collective of Southern California qualified Transit Instructors, which meet regularly to discuss and share ideas.

The first articulated Nova bus arrived on site recently; the remaining two articulated buses are scheduled for delivery in December, one in the second week and the final during Christmas week. The bus is being utilized for training. First in line for training are the bid drivers for Line 15x, followed by maintenance personnel, supervisors, extra board drivers, and then the remaining operators. We plan to roll out the articulated buses when SBCC is back in session on January 20th.

Maintenance

Mechanic training on the articulated multiplex electrical system is in progress this week through Friday.

One of the two salvaged Ebus shuttles has gone to the scrap yard. The second is ready to go this week. Staff is securing a Garden Street site on a month-to-month basis to store the remaining Anaheim Shuttles that MTD plans on rebuilding next year. The space the shuttles currently occupy under the main canopy is needed to park the two articulated buses expected in December.

Valley Power Systems is working to resolve the problem on Gillig Bus #904, which has been setting Energy Storage System (ESS) communication problem codes. They believe they have found the problem (an open wire in the harness), but more testing to confirm this is ongoing.

The first two sets of Lithium Ion (LiFePO₄) battery cells from CALB, intended to replace old NiCad batteries, have been received and accepted. Bay City Fabrication was hired to build battery trays for the CALB batteries. The first prototype tray is now back at Bay City Fabrication for continuation of design, fabrication and checks.

An underground water leak in the irrigation supply line in front of the Administration building was repaired. The valve had to be replaced.

Administration

Staff, led by Vaquero Systems, met with Clever Devices last week for two full days to go over the Preliminary Design Review (PDR) for the AIM (AVL) System project. The discussions were based on comments prepared ahead of time by MTD managers and end-users that read relevant portions of the 700-page draft PDR. Following revisions to

the document and final MTD approval, expected in early January, Clever Devices will begin implementing the design through customization of the software platform and ordering required hardware.

Human Resources held two Retirement Benefit meetings with Eleanor Van Buren for retirees on Monday, November 17th and an SDRMA Benefits meeting with Kim Hauk of Alliant Benefits (SDRMA Rep) was held on Wednesday, November 19th. Human Resources and Operations have scheduled four driver candidate interviews for this week

As required by the FTA, staff submitted MTD's October Safety & Security Report and Ridership Report to the National Transit Database (NTD).

MTD staff met with staff of Gold Coast Transit on Monday, November 3rd to discuss topics of joint interest, including the Cap-and-Trade program and general transit planning practices.

MTD staff met with staff of Easy Lift Transportation on Wednesday, November 5th to discuss the growing demand for Easy Lift service. Under a Memorandum of Understanding between Easy Lift and MTD, Easy Lift provides the complementary paratransit service that MTD is mandated to provide by the Americans with Disabilities Act.

On Monday, November 10th, staff attended a meeting of Santa Barbara County transit operators that was orchestrated by the Santa Barbara County Association of Governments (SBCAG) to discuss transit service needs and funding availability. The meeting focused primarily on north county transit issues.

Staff attended a meeting of SBCAG's Santa Barbara County Transit Advisory Committee (SBCTAC) on Wednesday, November 12th. MTD is a voting member of the Committee. SBCTAC recommended that the SBCAG Board approve project applications for Proposition 1B Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) funds.