



AGENDA

Meeting

of the

BOARD OF DIRECTORS

of the

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

A Public Agency

Tuesday, January 12, 2016

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, Director; Dick Weinberg, Director; Bill Shelor, Secretary; 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 December 15, 2015.

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

The Board will be asked to review and approve the cash report of December 8, 2015 through December 21, 2015.

6. REVISED FY2014-15 FINANCIAL STATEMENTS & COMPLIANCE REPORTS-(ATTACHMENTS-INFORMATIONAL)

The Board will be asked to review and approve the District's Final Financial Statements and Compliance Report for fiscal year 2014-15.

THIS CONCLUDES THE CONSENT CALENDAR

7. 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.

8. MTD COMMITTEE ASSIGNMENTS-(ATTACHMENTS-ACTION MAY BE TAKEN)

MTD committee assignments will be discussed and chosen by the Board

9. AUTHORIZATION TO PURCHASE 3 GILLIG 40' DIESEL BUSES-(ACTION MAY BE TAKEN)

Staff recommends that the Board authorize the General Manager to purchase 3 clean diesel low-floor forty-foot transit buses using options from the Transit Authority of River County contract with Gillig.

- 10. LOW CARBON TRANSIT OPERATIONS PROGRAM RESOLUTION-(ATTACHMENTS-ACTION MAY BE TAKEN)**
Adopt Resolution 2016-01 approving two projects to be funded with California cap-and-trade auction proceeds from the Low Carbon Transit Operations Program (LCTOP).
- 11. FIRST AMENDMENT TO EMPLOYMENT AGREEMENT WITH GENERAL MANAGER-(ACTION MAY BE TAKEN)**
Per the direction of the Board of Directors, attached is Amendment 1 to the General Manager's employment agreement, which documents an increase in his base salary, retroactive to January 1, 2016.
- 12. GENERAL MANAGER'S REPORT UPDATE-(ACTION MAY BE TAKEN)**
 - a) Holiday Promotional Activities
 - b) El Nino Events
 - c) New Buses
 - d) Facilities Master Plan Grant Application
 - e) Student Bus Pass Agreements
- 13. OTHER BUSINESS AND COMMITTEE REPORTS-(ACTION MAY BE TAKEN)**
The Board will report on other related public transit issues and committee meetings
- 14. 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

TUESDAY, DECEMBER 15, 2015

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 8:31 a.m.

2. ROLL CALL OF THE BOARD OF DIRECTORS

Chair Davis reported that all members were present with the exception of Director Weinberg who was expected to arrive shortly.

3. REPORT REGARDING POSTING OF AGENDA

Lilly Gomez, Administrative Assistant, reported that the agenda was posted on Friday, December 11, 2015 at MTD's Administrative Office, mailed and emailed to those on the agenda list, and posted on MTD's website.

CONSENT CALENDAR

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

Director McQuary moved to waive the reading of and approve the draft minutes for the meeting of December 1, 2015 and the cash reports for the period of November 17, 2015 through November 30, 2015 and December 1, 2015 through December 7, 2015. Director Tabor seconded the motion. The motion passed unanimously.

THIS CONCLUDES THE CONSENT CALENDAR

6. PUBLIC COMMENT

None was made.

DIRECTOR WEINBERG JOINED THE MEETING AT 8:32 A.M.

7. PRESENTATION OF FISCAL YEAR 2014-15 FINANCIAL STATEMENTS & COMPLIANCE REPORT-(INFORMATIONAL)

Representative of McGowan Guntermann, Scott Davis presented the District's Financial Statements and Compliance Report for fiscal year 2014-15.

8. MTD STRATEGIC PLAN: 2016 – 2021-(ACTION MAY BE TAKEN)

Manager of Government Relations and Compliance, Steve Maas recommended the Board adopt the Draft Strategic Plan: 2016-2021. Mr. Maas shared with the board that staff has presented the draft plan to MTD employees and to various community groups including the Coalition for Sustainable Transportation (COAST), the Citizens Planning Association (CPA), and the Santa Barbara Bicycle Coalition (SB BIKE). Staff has also scheduled a presentation at the University of California, Santa Barbara (UCSB) for the afternoon of January 27 to review Strategic Plan. Director Aceves motioned

to adopt the 2016-2021 Strategic Plans with a unanimous agreement from the Board to make a few minor edits. Director Tabor seconded the motion. The motion passed unanimously.

9. LOW CARBON TRANSIT OPERATIONS PROGRAM RESOLUTION-(ACTION MAY BE TAKEN)

Director Aceves moved to Adopt Resolution 2015-08 agreeing to comply with all conditions and requirements set forth in the Certification and Assurances and authorizing General Manager Jerry Estrada to execute all required documents for an application to the California Department of Transportation (Caltrans) for FY 2016 California cap-and-trade funds from the Low Carbon Transit Operations Program (LCTOP). Director Rodriguez seconded the motion. The motion passed with 7 ayes and 0 nays.

10. GENERAL MANAGER'S REPORT UPDATE-(INFORMATIONAL)

General Manager, Jerry Estrada and Manager of Government Relations and Compliance, Steve Maas shared that the SB MTD recently submitted the application to SBCAG for funding from the Measure A South Coast Bike & Pedestrian Program to purchase three-bike bicycle racks for our buses. Mr. Maas shared that the program requires that transit agency applicants have a city or the county as a sponsor. MTD thanks the City of Santa Barbara for agreeing to serve as the sponsor of MTD's application, and other local agencies for supporting the application.

Mr. Estrada shared that he met with the SBCC Student Senate on Friday, December 4th to discuss the current agreement between SBCC and MTD, which is due to expire prior to the coming summer session, and informed the group that MTD would likely be asking for a modest increase in the fee. SBCC students will vote whether or not to continue the agreement in January.

Assistant General Manager, Brad Davis indicated that December 1, 2015 the new fuel contract took effect. The deliveries and transition have been smooth and may have up to \$7000 savings annually with the fixed cost.

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

Director Weinberg shared that he and General Manager, Jerry Estrada attended an informational VCTC Coastal Express meeting in Carpinteria.

Mr. Estrada also shared the Teamsters local election for leadership concluded and Bill Elder is no longer the Secretary Treasure. The new Secretary Treasure, Abel Garcia, will take office on January 1, 2016. Mr. Estrada believes the Santa Barbara MTD contract will be the first contract up for negotiation in June.

Director Shelor also noted his appreciation for the work staff had done in updating the Board's binders.

RELATED TO EACH CLOSED SESSION; PUBLIC COMMENT WILL BE ALLOWED RELATED TO THE CLOSED SESSION ITEM(S) BEFORE THE RECESS

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

Conference with labor negotiators pursuant to Government Code Section 54957:
SBMTD designated representatives: Dave Davis, Chuck McQuary, Dick Weinberg, Olivia Rodriguez, Roger Aceves, Dave Tabor, and Bill Shelor

SBMTD unrepresented employee: Jerry Estrada, General Manager

The Board of Directors completed the 2015 annual evaluation of General Manager, Jerry Estrada. The Board complimented Mr. Estrada for an excellent first full year. The 2016 compensation was set at \$150,835 a year and will be returning to the Board on January 12th, for final ratification.

13. ADJOURNMENT

Director Weinberg moved to adjourn the meeting at 10:36 a.m. Director Tabor seconded the motion. The motion passed unanimously.

Santa Barbara Metropolitan Transit District
Cash Report
Board Meeting of January 12, 2016
For the Period December 22, 2015 through January 4, 2016

MONEY MARKET

Beginning Balance December 22, 2015	\$11,084,616.36
-------------------------------------	-----------------

Property Tax Revenue	385,332.78
Accounts Receivable	179,084.57
Passenger Fares	166,950.24
Interest Income	3,761.63
Miscellaneous/Asset Sales	<u>539.05</u>
Total Deposits	735,668.27

Bank/CC Fees	(15.79)
ACH Garn/Escrow	(75.69)
Payroll Transfer	(216.12)
ACH Tax Deposit	(1,538.15)
ACH Pensions Transfer	(31,627.83)
Operations Transfer	(64,093.36)
WC Transfer	<u>(87,354.10)</u>
Total Disbursements	(184,921.04)

Ending Balance	\$11,635,363.59
----------------	------------------------

CASH INVESTMENTS

LAIF Account	\$3,343,048.17
Money Market Account	<u>11,635,363.59</u>
Total Cash Balance	\$14,978,411.76

SELF INSURED LIABILITY ACCOUNTS

WC / Liability Reserves	(\$3,915,465.96)
Working Capital	\$11,062,945.80

Santa Barbara Metropolitan Transit District
Accounts Payable

Check #	Date	Company	Description	Amount	Voids
111370	12/23/2015	AQUA-FLO	BUS WASH SUPPLIES	11.92	
111371	12/23/2015	BUYNAK, FAUVER, ARCHBALD&S	LEGAL COUNSEL	4,022.16	
111372	12/23/2015	GABRIEL R. CEBALLOS	TOOL ALLOWANCE	1,100.00	
111373	12/23/2015	MARY DEAILE	PAYROLL RELATED	106.15	
111374	12/23/2015	FEDEX dba	FREIGHT CHARGES	113.02	
111375	12/23/2015	FLORES AUTO BODY & PAINT DB	BUS REPAIRS	758.16	
111376	12/23/2015	STATE OF CALIFORNIA/FTB	PAYROLL RELATED	80.47	
111377	12/23/2015	STATE OF CALIFORNIA	PAYROLL RELATED	526.13	
111378	12/23/2015	GOODYEAR TIRE & RUBBER CO	LEASED TIRES	10,844.47	
111379	12/23/2015	STEPHEN HAHN	TRAVEL REIMBURSEMENT	85.50	
111380	12/23/2015	HD SUPPLY WHITE CAP CONSTR. S	B&G SUPPLIES/SHOP SUPPLIES	1,016.48	
111381	12/23/2015	HR AUTOGLASS DBA	BUS PARTS/REPAIRS	190.00	
111382	12/23/2015	INTERCON TECHNOLOGIES DBA	EV/CHARGER REPAIRS	2,028.00	
111383	12/23/2015	SHERIFF CIVIL BUREAU	PAYROLL RELATED	401.10	
111384	12/23/2015	KLIPPEL TOOL REPAIR DBA	COMPRESSORS MAINT/BUS PARTS	150.00	
111385	12/23/2015	MANSFIELD OIL CO.- GAINESVILL	BUS FUEL	30,350.28	
111386	12/23/2015	NATIONAL DRIVE	PAYROLL DEDUCTION	94.00	
111387	12/23/2015	ANN BRADY OTTIERI	PAYROLL RELATED	277.00	
111388	12/23/2015	REGIONAL GOVERNMENT SERVIC	PERSONNEL RECRUITMENT	1,805.50	
111389	12/23/2015	SB COUNTY FEDERAL CREDIT UNI	PAYROLL DEDUCTION	1,060.00	
111390	12/23/2015	SILVAS OIL CO., INC.	LUBRICANTS	312.60	
111391	12/23/2015	SANTA BARBARA SHERIFF'S DEPT	PAYROLL RELATED	75.00	
111392	12/23/2015	SO. CAL. EDISON CO.	UTILITIES	3,405.54	
111393	12/23/2015	THE GAS COMPANY DBA	UTILITIES	22.08	
111394	12/23/2015	STAPLES CREDIT PLAN	OFFICE & COMPUTER SUPPLIES	205.17	
111395	12/23/2015	TEAMSTERS UNION LOCAL NO. 18	UNION DUES	531.54	
111396	12/23/2015	UCSB ECONOMIC FORECAST PROJ	CORPORATE LEVEL SPONSORSHIP	1,250.00	
111397	12/23/2015	UNITED PARCEL SERVICE, INC.	FREIGHT CHARGES	500.26	
111398	12/23/2015	UNITED WAY OF SB	PAYROLL DEDUCTION	68.00	
111399	12/23/2015	U.S. DEPARTMENT OF EDUCATION	PAYROLL RELATED	269.76	
111400	12/23/2015	VERIZON CALIFORNIA	TELEPHONES	775.24	
111401	12/23/2015	VERIZON WIRELESS	WIRELESS PHONES	434.70	
111402	12/23/2015	VOLT MANAGEMENT CORP.	CONTRACT EMPLOYMENT	1,103.13	
111403	12/23/2015	YACO SCHOLARSHIP FUND	PAYROLL DEDUCTION	120.00	

Check #	Date	Company	Description	Amount	Voids
				64,093.36	
			Current Cash Report Voided Checks:	0.00	
			Prior Cash Report Voided Checks:	0.00	
			Grand Total:	\$64,093.36	

Santa Barbara Metropolitan Transit District
Cash Receipts of Accounts Receivable

Date	Company	Description	Amount
12/22/2015	UCSB Campus Sustainability	Advertising on Buses	464.00
12/28/2015	City of SB - (Downtown Shuttle)	Downtown Shuttle Dec. '15	90,595.41
12/28/2015	City of SB - (Downtown Shuttle)	Downtown Shuttle Nov. '15	88,025.16
Total Accounts Receivable Paid During Period			\$179,084.57

BOARD OF DIRECTORS REPORT

MEETING DATE: January 12, 2015

AGENDA ITEM #: 6

TYPE: Informational

PREPARED BY: Brad Davis

Signature

REVIEWED BY: General Manager

GM Signature

SUBJECT: Revised FY2014-15 Financial Statements & Compliance Reports

DISCUSSION:

Attached are the final audited financial statements and compliance reports for the fiscal year ended June 30, 2015. The documents have been modified from those presented at the December 15, 2015, board meeting to comply with the new reporting requirements on multi-employer pension plans which resulted in removal of the qualified status of the draft reports.

At the December 15, 2015, board meeting, Scott Davis from McGowan Guntermann presented MTD's draft FY14-15 Financial Statements and Compliance Reports. Mr. Davis reported that the financial statements were qualified because they did not comply with the requirements of Government Accounting Standards Board Statement No. 68 (GASB 68) concerning reporting on the Western Conference Teamsters Pension Trust (the non-compliance was due to the unavailability to MTD of pension trust information required for the reporting). Mr. Davis stated that the just issued GASB 78 modified the reporting requirements and that MTD could now comply with the pension reporting requirements. The board indicated its preference that the draft reports be revised to take into account GASB 78.

Notable changes to the attached documents include:

- Removal of language regarding the qualified status from the Independent Auditors Report (page 2 of Financial Statements).
- Revision to *Note 2 - Significant Accounting Principles* to update the modified reporting requirements associated with GASB 78 (page 17 of Financial Statements).
- Revision to *Note 10 - Retirement Plans* to include information required under GASB 78 on the Teamsters Pension Trust (pages 22-23 of Financial Statements).
- Addition of *Schedule of Employer's Required Contributions – Defined Benefit Plan* to Required Supplementary Information (page 28 of Financial Statements).
- Revision from "qualified" to "unqualified" in the *Schedule of Findings and Questioned Costs* (page 10 of Compliance Reports).

**SANTA BARBARA
METROPOLITAN TRANSIT DISTRICT
FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015 AND 2014**

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

June 30, 2015 and 2014

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis - Required Supplementary Information	I - VII
Financial Statements:	
Statements of Net Position	10
Statements of Revenue, Expenses and Changes in Net Position	11
Statements of Expenses	12
Statements of Cash Flows	13 - 14
Notes to Financial Statements	15 - 27
Schedule of Funding Progress of Postemployment Healthcare Plan – Required Supplementary Information	28



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, 2015 and 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Opinion

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, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



December 9, 2015

Management's Discussion and Analysis for Fiscal Year 2014-15

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 statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows. These are followed by notes to the financial statements and required supplementary information.

Financial Reports

The statements of net position 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 flows 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 Net Position of the District increased by 9% to approximately \$45.3 million during the latest fiscal year. The change is composed of growth in all three Net Position categories: capital assets, restricted net position, and unrestricted net position. The District completed fiscal year 2014-15 with an approximately \$1.2 million increase in its Unrestricted Net Position as the result of lower than anticipated operating expenses. The majority of the increase was derived from unfilled staff positions that resulted in one-time savings in wages and fringe benefits along with better than expected workers compensation performance. These latter costs were also under budget by \$822,000 or 5% of the budgeted amounts. An additional significant component was Sales Tax Revenue Local Transportation Fund which exceeded budget projections by \$183,000.

Net Position	<u>2015</u>	<u>2014</u>
Invested in capital assets	\$28,780,285	\$28,948,306
Restricted	6,202,649	3,336,694
Unrestricted	10,293,617	9,133,078
Total Net Position	<u>\$45,276,551</u>	<u>\$41,418,078</u>

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.

Assets	<u>2014-15</u>	<u>2013-14</u>
Current Assets	\$19,104,007	\$17,706,845
Non-Current Assets	<u>34,982,934</u>	<u>32,285</u>
Total Assets	<u>\$54,086,941</u>	<u>\$49,991,845</u>
Liabilities		
Current Liabilities	\$2,059,029	\$2,087,885
Non-Current Liabilities	<u>6,751,361</u>	<u>6,485,882</u>
Total Liabilities	<u>8,810,390</u>	<u>8,573,767</u>

The net increase of approximately \$2.9 million in Restricted Net Position reflects the receipt of approximately \$3.3 million in Proposition 1B cash advances less the utilization of about \$400,000 of these funds for AVL expenditures. The ending balance of \$6,202,649 in Restricted Net Position is composed entirely of Proposition 1B cash advances, which are committed to the acquisition of buses, the AVL/Smartcard project and renovating the Transit Center. 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 operating revenue are passenger fares, federal operating assistance and Transportation Development Act (TDA) receipts. The approximately \$4.9 million in federal operating assistance was 0.6% under both the prior year's figure and the projected amount for fiscal year 2014-15. Passenger fares for fiscal year 2014-15 were \$8,275,150, versus \$8,127,762 in the prior year, a 1.8% increase. Fiscal year 2014-15 is the second year passenger fares increased over the prior year. January 2009 was the last fare rate change and the District experienced a decline in passenger fares up through fiscal year 2012-13.

<u>Fiscal Year</u>	<u>Passenger Fares</u>	<u>Change</u>
2014-15	\$8,275,150	1.8%
2013-14	\$8,127,762	0.6%
2012-13	\$8,082,232	-0.7%
2011-12	\$8,136,840	-0.2%
2010-11	\$8,149,358	-1.3%
2009-10	\$8,259,939	n/a

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

In fiscal year 2014-15, TDA-LTF funding increased by \$26,835 or less than 1% compared to the prior year. These funds are closely monitored as they are a significant percentage of the District's operating revenue. As mentioned above, TDA-LTF revenue surpassed the budget expectations by \$183,000. The District continues to utilize these funds to balance the operating budget, while TDA-STA funds continue to be used for capital acquisitions.

TDA Operating & Capital Revenue

	<u>FY14-15</u>	<u>FY13-14</u>	<u>FY12-13</u>	<u>FY11-12</u>	<u>FY10-11</u>
TDA - LTF	\$7,269,606	\$7,242,771	\$6,910,477	\$6,196,529	\$5,749,854
TDA - STA	1,664,693	123,878	84,740	259,569	513,984
	<u>\$8,934,299</u>	<u>\$7,366,649</u>	<u>\$6,995,217</u>	<u>\$6,456,098</u>	<u>\$6,263,838</u>

The use of TDA-STA for capital acquisitions increased by approximately \$1.5 million in fiscal year 2014-15. The total reimbursement requested for capital acquisitions during the year was \$1,664,693. The District has approximately \$7.5 million in TDA-STA funds allocated for future capital purchases from which it can draw. The funds are intended to be used on scheduled and future bus purchases as well as other miscellaneous capital projects. The funds are held by the Santa Barbara County Association of Governments (SBCAG).

Fiscal year 2014-15 operating expenses, before depreciation, are approximately \$ 23.2 million and reflect an increase of less than 2% over the prior year. Wages, fringe benefits including costs associated with workers compensation are approximately \$17.4 million and account for 75% of the District's operating costs before depreciation in fiscal year 2014-15.

Fiscal Year 2014-15 Financial Performance

Financially the District performed very well in fiscal year 2014-15 compared to the budget. Largely due to areas previously identified such as wages and fringe benefits including workers compensation performance. Labor and fringe benefits excluding workers compensation is one time savings. During the year, the District experienced a high level of understaffing due to retirements and employees on leave of absences. In addition, positions slated to be filled during year did not come to fruition. These factors lead to coming in under budget by approximately \$319,000.

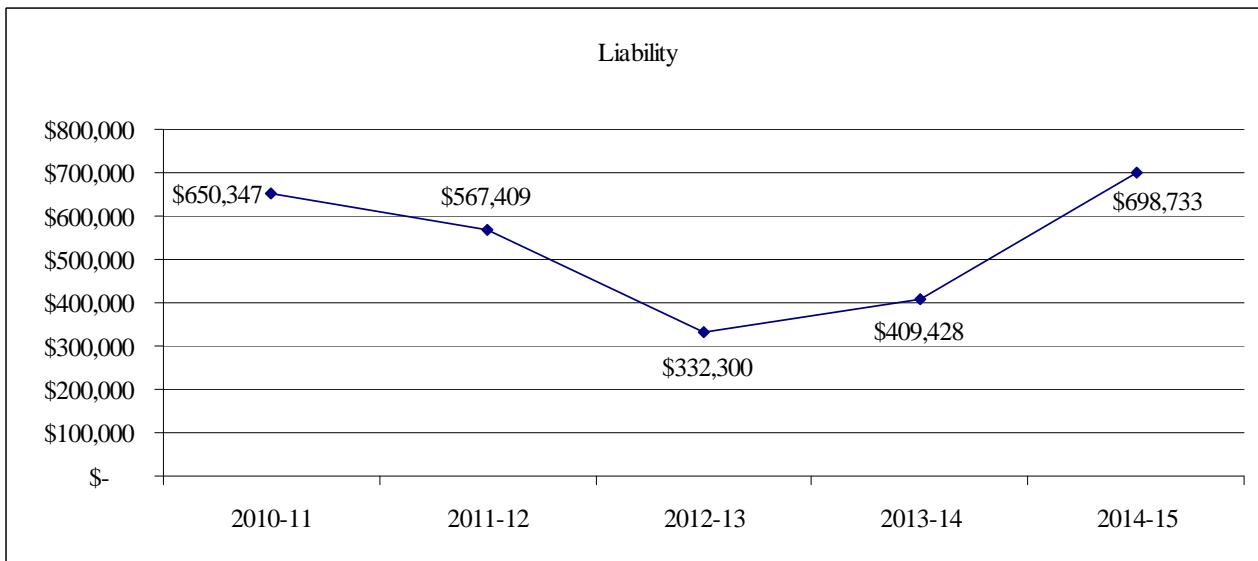
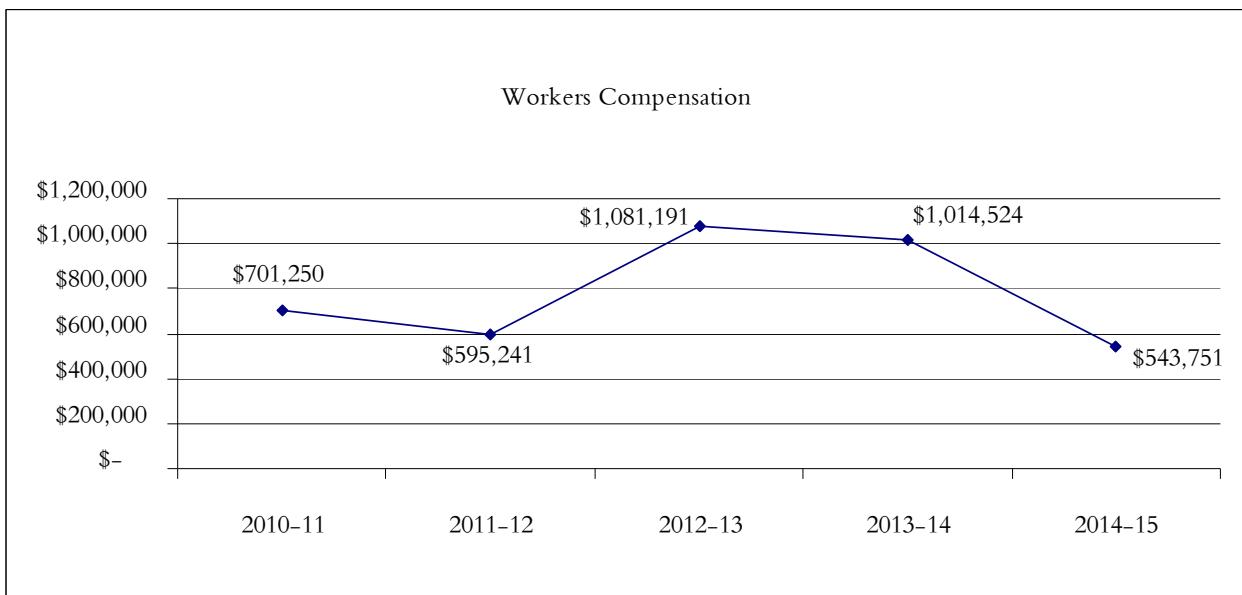
Santa Barbara Metropolitan Transit District
Revenue, Expense and Performance Report
Years Ended June 30, 2015 and 2014

	Actual FY 2014-15	Prior Year FY 2013-14	Prior % Change	Budget FY 2014-15	Actual vs. Budget % Change
Revenues:					
Passenger Fares	\$8,275,150	\$8,127,765	1.8%	\$8,374,757	-1.2%
Local Operating Assistance	136,237	202,483	-32.7%	76,091	79.0%
Non-Transportation Revenue (1)	<u>781,640</u>	<u>825,217</u>	<u>-5.3%</u>	<u>779,032</u>	<u>0.3%</u>
Total :	\$9,193,027	\$9,155,465	0.4%	\$9,229,880	-0.4%
Major Subsidies:					
Operating					
TDA-LTF	\$7,269,606	\$7,242,771	0.4%	\$7,086,422	2.6%
Federal Operating Assistance	4,914,363	4,943,999	-0.6%	4,943,999	-0.6%
Measure A	1,972,107	1,890,866	4.3%	1,977,464	-0.3%
Property Tax	<u>1,028,132</u>	<u>985,328</u>	<u>4.3%</u>	<u>965,000</u>	<u>6.5%</u>
Total :	\$15,184,208	\$15,062,964	0.8%	\$14,972,885	1.4%
Capital					
TDA-LTF and TDA-STA	\$1,664,693	\$123,878	1243.8%	\$7,358,851	-77.4%
Federal Grants	26,363	23,212	13.6%	2,796,554	-99.1%
Measure A	1,281,428	190,276	573.5%	2,204,579	-41.9%
Proposition 1B	<u>3,358,483</u>	<u>264,214</u>	<u>1171.1%</u>	<u>3,077,593</u>	<u>9.1%</u>
Total :	\$6,330,967	\$601,580	952.4%	\$15,437,577	-59.0%
Total Revenue	<u>\$30,708,202</u>	<u>\$24,820,009</u>	<u>23.7%</u>	<u>\$39,640,342</u>	<u>-22.5%</u>
Expenses:					
Vehicle Operations	\$13,510,763	\$13,026,263	3.7%	\$14,046,696	-3.8%
Vehicle Maintenance	5,492,877	5,692,759	-3.5%	5,868,994	-6.4%
Passenger Facilities	1,502,498	1,350,017	11.3%	1,526,169	-1.6%
General Overhead	2,530,480	2,548,228	-0.7%	2,672,534	-5.3%
Retire Health and OPEB	<u>216,712</u>	<u>207,974</u>	<u>4.2%</u>	<u>88,372</u>	<u>145.2%</u>
Total :	\$23,253,330	\$22,825,241	1.9%	\$24,202,765	-3.9%
Depreciation	<u>\$3,595,013</u>	<u>\$3,271,993</u>			
Total Expense	<u>\$26,848,343</u>	<u>\$26,097,234</u>			
Performance Indicators:					
Total Passengers	7,487,113	7,623,860	-1.8%		
Revenue Hours	206,607	201,234	2.7%		
Revenue Miles	2,577,324	2,556,499	0.8%		
Farebox Ratio (2)	35.6%	35.6%	-0.1%		
Cost/Passenger	\$3.11	\$2.99	3.7%		
Cost/Hour	\$112.55	\$113.43	-0.8%		
Cost/Mile	\$9.02	\$8.93	1.1%		
Passenger/Hour	36.24	37.89	-4.3%		
Passenger/Mile	2.90	2.98	-2.6%		

(1) Of the \$781,640 in non-transportation revenue for fiscal year 2014-15, \$532,773 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.

The District's self insured workers compensation and liability program were additional factors in outperforming projected costs. Workers compensation costs came in under budget by 48% or \$503,000. In comparison to the prior year, there was a \$471,000 decrease in this cost. Liability costs came in higher than the budget amount by 43% or \$ 210,000. When comparing Liability costs to the prior year, there was a \$289,000 or 70% increase. Workers compensation and liability cost have the potential to be unstable, but this year the performance of workers compensation partially offset the increases with liability costs.



The cost of diesel fuel and lubricants, including service vehicle expense and electric bus power, was \$2,252,265, a decrease of about \$56,000 from the prior year. This was primarily due to the District's fixed-price diesel fuel contract for its bus fleet, which was \$2.93 per gallon for the last six months of the year, and \$3.06 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 2014-15	Actual FY 2013-14	Actual FY 2012-13	Actual FY 2011-12	Actual FY 2010-11
EOY	\$0	\$308,621	\$528,867	\$205,379	\$0
Jul	483,101	479,991	440,842	418,070	365,398
Aug	644,317	640,102	591,246	557,628	487,191
Sep	740,333	594,593	633,225	615,272	618,759
Oct	507,546	501,987	453,220	402,094	390,803
Nov	676,857	669,665	607,944	536,746	521,319
Dec	706,944	584,360	656,868	716,945	606,422
Jan	518,216	479,468	465,684	443,233	421,218
Feb	691,145	629,406	621,072	591,201	561,843
Mar	620,786	692,255	555,128	591,919	493,126
Apr	454,546	454,330	437,868	402,671	357,329
May	606,238	605,914	583,983	537,303	524,276
Jun	619,577	602,078	334,531	178,068	402,167
Total:	<u>\$7,269,606</u>	<u>\$7,242,771</u>	<u>\$6,910,477</u>	<u>\$6,196,529</u>	<u>\$5,749,853</u>

TDA-LTF sales tax revenue of \$7,269,606 represented an increase of less than 1% over prior year. TDA-LTF sales tax revenue is relied upon to balance the operating budget and in fiscal year 2014-15 the amount received was sufficient to do so. The actuarially-derived estimated liability expense for retiree health insurance (OPEB) was \$149,000 and that for workers compensation was \$146,000. 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 increased service levels in the current year with operating funding provided by UCSB to pay for additional service on the Lines 12x and 24x. Service is scheduled to expand, with financial assistance from UCSB, in the following year with the introduction of the Line 38 serving UCSB North Hall to Camino Real Marketplace.

Employee wage rates will rise in fiscal year 2015-16 consistent with the terms of the collective bargaining agreement. The current agreement expires at the end of fiscal year 2015-16; hence negotiations for a new agreement will begin in the spring of 2016.

The two-year federal Transportation Bill (MAP-21) has been extended. However, the House of Representatives and the Senate have each passed their own long-term transportation bill. The House and Senate are currently negotiating to resolve the differences between their respective multi-year surface transportation reauthorization proposals. Management is optimistic that a new transportation spending bill will not significantly reduce federal formula funding to public

transit. 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.

The Santa Barbara County Board of Supervisors recently approved the rezoning of the parcels owned by MTD from agriculture to housing. The MTD Board of Directors has formed an ad-hoc committee to identify and prepare a recommendation to the full board on how best to proceed with the future use of the aforementioned property.

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 shuttle acquisitions – The District is planning to replace its fleet of electric shuttles once funding and modern technology are identified and acquired.
- Diesel bus replacements -Eight replacement 40' buses are budgeted and will be paid for with a combination of Proposition 1B and federal 5339 capital funds.
- The District has secured funding for a Smartcard project, and the refurbishment of the Transit Center.
- Improvements to the Olive Street facility are also underway and scheduled for completion in calendar year 2016.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

STATEMENTS OF NET POSITION

June 30, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and equivalents	\$ 15,132,316	\$ 15,814,022
Grants receivable	2,387,268	333,043
Other receivable	201,410	169,773
Materials and supplies inventories	1,176,654	1,102,634
Other current assets	<u>206,359</u>	<u>287,373</u>
Total Current Assets	<u>19,104,007</u>	<u>17,706,845</u>
NON-CURRENT ASSETS		
Cash restricted for capital support	6,202,649	3,336,694
Capital assets:		
Tangible transit operating property	66,464,636	63,346,400
Less: Accumulated depreciation	(37,684,351)	(34,398,094)
Capital Assets, net	<u>28,780,285</u>	<u>28,948,306</u>
Total Non-Current Assets	<u>34,982,934</u>	<u>32,285,000</u>
TOTAL ASSETS	<u>\$ 54,086,941</u>	<u>\$ 49,991,845</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 388,016	\$ 408,129
Accrued payroll including compensated absences	763,959	704,667
Accrued expenses	<u>907,054</u>	<u>975,089</u>
Total Current Liabilities	<u>2,059,029</u>	<u>2,087,885</u>
NON-CURRENT LIABILITIES		
Compensated absences payable	712,540	730,720
Accrued damage, injury, and employee claims	3,146,821	3,012,162
Accrued other post employment benefits	<u>2,892,000</u>	<u>2,743,000</u>
Total Non-Current Liabilities	<u>6,751,361</u>	<u>6,485,882</u>
Total Liabilities	8,810,390	8,573,767
NET POSITION		
Invested in capital assets	28,780,285	28,948,306
Restricted	6,202,649	3,336,694
Unrestricted	<u>10,293,617</u>	<u>9,133,078</u>
TOTAL NET POSITION	<u>45,276,551</u>	<u>41,418,078</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 54,086,941</u>	<u>\$ 49,991,845</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, 2015 and 2014

	2015	2014
OPERATING REVENUE, NOT INCLUDING LOCAL AND FEDERAL ASSISTANCE		
Passenger fares	<u>\$ 8,275,150</u>	<u>\$ 8,127,762</u>
OPERATING EXPENSES		
Vehicle operations	13,510,763	13,026,262
Vehicle maintenance	5,492,877	5,692,758
Passenger facilities	1,502,498	1,350,016
General overhead	2,530,480	2,548,224
Postemployment health care benefits (Notes 15 - 16)	<u>216,712</u>	<u>207,974</u>
Total before Depreciation	23,253,330	22,825,234
Depreciation	<u>3,595,013</u>	<u>3,271,993</u>
Total Expenses	<u>26,848,343</u>	<u>26,097,227</u>
OPERATING LOSS	<u>(18,573,193)</u>	<u>(17,969,465)</u>
NON-OPERATING REVENUE		
Non-transportation revenue, including interest, advertising, rent and miscellaneous	781,640	825,217
Taxes levied by Santa Barbara County for Transit District	1,028,132	985,328
Transportation Development Act funding and allocations	8,934,299	7,366,649
Federal grants	4,940,726	4,920,840
Proposition 1B grants	3,358,483	264,214
Measure A grants	3,253,535	2,081,142
Miscellaneous grants	136,237	202,483
Loss on disposal of assets	<u>(1,386)</u>	<u>(62,168)</u>
Total Non-Operating Revenue	<u>22,431,666</u>	<u>16,583,705</u>
CHANGE IN NET POSITION	<u>3,858,473</u>	<u>(1,385,760)</u>
BEGINNING OF YEAR NET POSITION	<u>41,418,078</u>	<u>42,803,838</u>
END OF YEAR NET POSITION	<u>\$ 45,276,551</u>	<u>\$ 41,418,078</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, 2015 and 2014

	2015	2014
LABOR		
Operators' wages	\$ 6,499,198	\$ 6,326,225
Other salaries and wages	<u>3,770,128</u>	<u>3,826,913</u>
Total Labor	<u>10,269,326</u>	<u>10,153,138</u>
FRINGE BENEFITS		
Payroll taxes	939,304	919,095
Retirement plans	1,343,545	1,276,958
Health and welfare (Notes 15 and 16)	2,658,167	2,399,864
Workers compensation	543,751	1,014,524
Sick pay	291,196	260,574
Holiday pay	382,724	378,193
Vacation pay	795,065	781,285
Other paid absences	95,688	75,099
Uniforms and tool allowances	<u>69,131</u>	<u>46,622</u>
Total Fringe Benefits	<u>7,118,571</u>	<u>7,152,214</u>
SERVICES		
Professional and technical including directors' fees	394,989	346,088
Outside services	104,249	92,369
Contract maintenance services	495,587	332,886
Promotion and printing	<u>119,265</u>	<u>89,515</u>
Total Services	<u>1,114,090</u>	<u>860,858</u>
MATERIALS AND SUPPLIES		
Fuels and lubricants	2,173,264	2,226,490
Tires and tubes	155,752	149,126
Bus parts	546,021	632,100
Other materials and supplies	195,383	197,174
Electric bus power	<u>79,001</u>	<u>81,593</u>
Total Material and Supplies	<u>3,149,421</u>	<u>3,286,483</u>
UTILITIES AND TELEPHONE	<u>216,966</u>	<u>203,370</u>
CASUALTY AND LIABILITY COSTS	<u>565,471</u>	<u>338,753</u>
PURCHASED TRANSPORTATION	<u>629,064</u>	<u>624,268</u>
MISCELLANEOUS EXPENSES		
Dues and subscriptions	44,190	42,907
Travel, meetings and training	12,385	21,088
Purchased media	155	2,852
Other miscellaneous expenses	<u>133,691</u>	<u>139,303</u>
Total Miscellaneous Expenses	<u>190,421</u>	<u>206,150</u>
Total Expenses before Depreciation	23,253,330	22,825,234
DEPRECIATION	<u>3,595,013</u>	<u>3,271,993</u>
TOTAL EXPENSES	<u>\$ 26,848,343</u>	<u>\$ 26,097,227</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATIONS		
Receipts from transit customers	\$ 8,268,737	\$ 8,106,340
Payments to suppliers and vendors	(5,855,945)	(5,116,846)
Payments to employees/benefits	<u>(17,177,606)</u>	<u>(17,093,095)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(14,764,814)</u>	<u>(14,103,601)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	12,606,351	19,495,942
Non-transportation revenue, including advertising, rental and miscellaneous	746,613	754,911
Taxes levied by Santa Barbara County	<u>1,028,132</u>	<u>985,328</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>14,381,096</u>	<u>21,236,181</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(3,445,619)	(5,038,659)
State of California Prop 1B grant advance	237,322	264,214
State of California Prop 1B PTMISA grant advance	3,156,590	-
Federal, state and local capital grants received	<u>2,579,798</u>	<u>1,542,451</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>2,528,091</u>	<u>(3,231,994)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	<u>39,876</u>	<u>82,938</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>39,876</u>	<u>82,938</u>
NET INCREASE IN CASH AND EQUIVALENTS	2,184,249	3,983,524
CASH AND EQUIVALENTS		
BEGINNING OF YEAR	<u>19,150,716</u>	<u>15,167,192</u>
END OF YEAR	<u>\$ 21,334,965</u>	<u>\$ 19,150,716</u>
Cash and equivalents	\$ 15,132,316	\$ 15,814,022
Cash restricted for capital support	<u>6,202,649</u>	<u>3,336,694</u>
TOTAL CASH AND EQUIVALENTS	<u>\$ 21,334,965</u>	<u>\$ 19,150,716</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (18,573,193)	\$ (17,969,465)
Charges to cost of service not requiring current expenditure of cash:		
Depreciation	3,595,013	3,271,993
Loss on disposal of assets	1,386	62,168
Changes in:		
Other receivable - excluding grants	(31,637)	(23,999)
Materials and supplies inventories	(74,020)	24,078
Other current assets	81,014	(105,687)
Accounts payable and accrued expenses net of capital acquisitions	(28,856)	58,165
Compensated absences payable	(18,180)	1,792
Accrued damage, injury, and employee claims	134,659	426,354
Accrued other post employment benefits	<u>149,000</u>	<u>151,000</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (14,764,814)</u>	<u>\$ (14,103,601)</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.

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)

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.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The amounts recorded as capital grant revenue and advances in fiscal 2015 and 2014 were \$3,445,618 and \$5,038,659, 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, 2015 and 2014 was \$809,713 and \$783,250, 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.

Certain reclassifications have been made to the prior year's financial statements to conform to the 2015 presentation.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section or deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Implementation of Governmental Accounting Standards Board Statements

GASB Statement No. 68 – In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014.

GASB Statement No. 71 – Subsequent to GASB Statement No 68 issuance, the GASB issued *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. These changes have the same effective date as GASB 68. These two standards were superseded for the District with GASB Statement No. 78 as follows:

GASB Statement No. 78 – Subsequent to GASB Statements No 68 and 71 issuance, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* amending the scope and applicability of Statement No. 68 to exclude certain cost-sharing multiple-employer defined benefit pension plans provided to employees of state or local governmental employers such as the District. The standard is for periods beginning after December 15, 2015, however earlier application is encouraged and has been applied. The District's accounting was already in compliance with the standard but there are additional disclosures and supplementary information.

Note 3 – DEPOSITS AND INVESTMENTS

At June 30, 2015 and 2014, the composition of cash deposits consisted of petty cash and change funds, money market accounts, and certificates of deposit as follows:

	<u>2015 Fair Value</u>	<u>2014 Fair Value</u>
Cash deposits		
Money market accounts	\$11,725,496	\$12,415,863
Prop 1B-OHS savings	503,199	764,692
Prop 1B-PTMISEA savings	5,699,450	2,572,002
Local Agency Investment Fund (LAIF)	<u>3,340,359</u>	<u>3,331,694</u>
Total cash deposits	21,268,504	19,084,251
Petty cash and change funds	<u>66,461</u>	<u>66,461</u>
Total	<u>\$21,334,965</u>	<u>\$19,150,712</u>

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3 – DEPOSITS AND INVESTMENTS (continued)

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, 2015 the District had \$503,199 of Prop 1B-OHS cash restricted for use in acquiring AVL/security cameras for the District. The District also had \$5,699,450 of Prop 1B-PTMISEA cash restricted for the acquisition of replacement buses (\$2,785,758), AVL/Smartcards (\$1,913,962), and Transit Center renovation projects (\$1,000,000).

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.

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, 2015, \$3,340,359, 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. The interest rate of the LAIF is determined by the yield received on a combination of pooled U.S. Government treasury investments, along with federal agency coupons, certificates of deposit, bankers' acceptances, commercial paper, and other debt instruments, which was approximately 0.24% for the fiscal year ended June 30, 2015.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 4 – RECEIVABLES

Grants receivable at June 30, 2015 and 2014, are summarized as follows:

	<u>2015</u>	<u>2014</u>
Federal Transit Administration	\$ 1,664,484	\$ 18,889
State Transit Assistance Fund (SB 620)	182,468	123,878
Other grants	540,316	193,744
	<u>\$ 2,387,268</u>	<u>\$ 336,511</u>
Other receivables are as follows		
Trade receivables	<u>\$ 201,410</u>	<u>\$ 166,305</u>

Note 5 – CAPITAL ASSETS

Changes in transit operating property during the years ended June 30, 2015 and 2014, are as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Reclassifi-</u>	<u>Disposals</u>	<u>June 30, 2015</u>
Capital assets not depreciated					
Land	\$ 5,596,296	\$ -	\$ -	\$ -	\$ 5,596,296
Work in process	357,025	761,563	-	(14,395)	1,104,193
Capital assets depreciated					
Buildings	12,921,894	8,089	(424)	(285,978)	12,929,559
Buses	39,944,649	2,595,186	-	(40,428)	42,253,857
Other equipment	<u>4,526,536</u>	<u>80,780</u>	<u>-</u>	<u>(26,586)</u>	<u>4,580,730</u>
	<u>\$ 63,346,400</u>	<u>\$ 3,445,618</u>	<u>\$ -</u>	<u>\$ (327,383)</u>	<u>\$ 66,464,635</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Reclassifi-</u>	<u>Disposals</u>	<u>June 30, 2014</u>
Capital assets not depreciated					
Land	\$ 5,596,296	\$ -	\$ -	\$ -	\$ 5,596,296
Work in process	245,854	183,145	(31,547)	(40,428)	357,024
Capital assets depreciated					
Buildings	12,879,816	64,077	-	(21,999)	12,921,894
Buses	37,467,385	4,674,799	31,547	(2,229,081)	39,944,650
Other equipment	<u>4,600,108</u>	<u>116,638</u>	<u>-</u>	<u>(190,210)</u>	<u>4,526,536</u>
	<u>\$ 60,789,459</u>	<u>\$ 5,038,659</u>	<u>\$ -</u>	<u>\$ (2,481,718)</u>	<u>\$ 63,346,400</u>

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6 – 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 notification of 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).

Capital Contributions

The District receives grants from the Federal Transit Administration (FTA), State, and local transportation funds for the acquisition of buses and other equipment and improvements. Capital contributions are recorded as revenues and the cost of the related assets are included in property and equipment. Depreciation on assets acquired with capital grant funds is included in the Statement of Revenues, Expenses and Changes in Net Position.

Capital contributions for the years ended June 30 were as follows:

	<u>2015</u>	<u>2014</u>
Federal grants	\$ 26,363	\$ 23,212
State grants (Prop 1B and Measure A)	1,717,371	4,733,166
Local assistance – sales tax	1,664,693	123,878
Miscellaneous grants	<u>19,949</u>	<u>108,635</u>
Net grants received	<u>\$3,428,376</u>	<u>\$4,988,891</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>2015</u>	<u>2014</u>
Funding		
Local Transportation Fund (SB 325)	\$ 7,269,606	\$ 7,242,771
State Transit Assistance Fund (SB 620)	<u>1,664,693</u>	<u>123,878</u>
	<u><u>\$ 8,934,299</u></u>	<u><u>\$ 7,366,649</u></u>
Usage		
Operations	\$ 7,269,606	\$ 7,242,771
Capital projects	<u>1,664,693</u>	<u>123,878</u>
	<u><u>\$ 8,934,299</u></u>	<u><u>\$ 7,366,649</u></u>

Note 8 – FEDERAL GRANTS AND REIMBURSEMENTS

Federal grants and reimbursements for the year ended June 30:

	<u>2015</u>	<u>2014</u>
FTA		
Operating grants	\$ 4,914,363	\$ 4,943,999
Capital grants	<u>26,363</u>	<u>23,212</u>
Total	<u><u>\$ 4,940,726</u></u>	<u><u>\$ 4,967,211</u></u>

Note 9 – CHANGE IN COMPENSATED ABSENCES

Employees annually accrue compensated absence time, consisting of vacation and sick time dependent on job classification and tenure ranging from 80 hours to 320 hours per year. Accrued compensated absences for vacation in fiscal years ending June 30, 2015 and 2014, were \$809,713 and \$783,250 respectively. The current portion is expected to be used within one year. Accrued sick pay vested in fiscal years ending June 30, 2015 and 2014, were \$384,064 and \$450,176 respectively.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9 – CHANGE IN COMPENSATED ABSENCES (continued)

The changes in accrued vacation pay were as follows:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 783,250	\$ 771,292
Additions	729,642	728,925
Payments	<u>(703,179)</u>	<u>(716,967)</u>
Ending balance	809,713	783,250
Current portion	<u>408,996</u>	<u>390,821</u>
Noncurrent portion	<u>\$ 400,717</u>	<u>\$ 392,429</u>

Accrued sick pay is summarized as follows:

	<u>2015</u>	<u>2014</u>
Total accrued sick pay	\$1,469,194	\$1,553,726
Amount of sick pay not vested, in accordance with the union agreement and District policy	<u>(1,085,130)</u>	<u>(1,448,550)</u>
Total accrued sick pay vested and included in accrued payroll	<u>\$ 384,064</u>	<u>\$ 405,176</u>

Note 10 – RETIREMENT PLANS

Two employee groups are covered, with expenses as follows:

<u>Employee Group</u>	<u>Plan names</u>	<u>2015 Cost</u>	<u>2014 Cost</u>
1. Union	Teamsters Union	\$ 1,128,590	\$ 1,062,278
2. Non-Union	Profit-Sharing and Salary Deferral Plan	<u>214,956</u>	<u>214,679</u>
		<u>\$ 1,343,546</u>	<u>\$ 1,276,957</u>

TEAMSTERS PENSION PLAN

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

	<u>2015</u>	<u>2014</u>
Total union labor	\$10,284,152	\$10,166,450
Pensionable wages	\$9,390,181	\$9,120,618
Required work hour contribution (up to 173.33 hours per month)	\$3.24	\$3.18
Total pension hours	339,241	333,550
Accrued pension	\$89,052	\$85,228

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10 – RETIREMENT PLANS (continued)

Western Conference of Teamsters Pension Trust administers the cost-sharing pension plan for those District employees covered by the collective bargaining agreement. As noted above, this is a defined benefit plan in which pension benefits are based on a set formula so that an employee's future benefit can be determined by the formula. Pension benefits in general are paid as monthly benefits over a participant's lifetime. The Western Conference Teamsters Pension Trust (Plan) has the authority to establish and/or amend the plan and its benefits. Based on the most recent actuarial certification the Plan is in the "green zone" for 2015, meaning the Plan is in good financial position. Additional information such as the Plan's financial reports can be found at www.wctpension.org/site-index. In the event an employer withdraws from the pension plan, the employer's withdrawal liability is based on the employer's share of the unfunded vested benefits of the multiemployer pension plan.

The period of coverage for the existing collective bargaining agreement between the District and Teamsters Union-Local 186 is July 1, 2012 through June 30, 2016. In 2015 there were 175 employees covered under the Plan. The collective bargaining agreement is the basis for determining the District's employer's required contribution as well as any changes/amendments. In 2015, the employer's required contribution was approximately \$1.1 million. Based on the agreement, there are no minimum contributions required for future periods. For fiscal year 2015 the pension payable was \$89,052 since the payment for June 2015 occurred after the fiscal year end.

PROFIT-SHARING AND SALARY DEFERRAL PLAN

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 NFP Retirement.

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 2015 were based upon a payroll of \$2,149,564 for non-union employees. The District contributed \$214,956 (10% of covered payroll) and covered employees contributed \$308,602.

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.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11 – 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, 2015	\$250,000

The District has elected to self-insure its obligations for workers' compensation claims. On January 1, 2005, the District joined CSAC Excess Insurance Authority with a self-insurance retention of \$500,000 and a limit of \$5 million on any one claim. Claim amounts exceeding \$5 million are covered statutorily by the state of California. For calendar year 2004, the District was self-insured to \$1.5 million with a \$10 million limit on any one claim. In 2003, the District carried workers' compensation insurance in excess of \$500,000 with a \$5 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.

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>2015</u>	<u>2014</u>
Claims liability – beginning of year	\$ 3,783,551	\$ 2,057,804
Claims and changes in estimates	489,355	2,128,654
Actual claim payments	<u>(357,484)</u>	<u>(402,907)</u>
Claims liability – end of year	<u><u>\$ 3,915,422</u></u>	<u><u>\$ 3,783,551</u></u>

Note 12 – COMMITMENTS

Paratransit Service – Easy Lift

For fiscal year 2016, the District has agreed to provide Easy Lift a subsidy of \$825,511 for the paratransit services. The amount can 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, 2017. 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.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12 – COMMITMENTS (continued)

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.

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 2015, the rates paid by the District for contractual amounts are as follows:

Gilligs	\$.042648
MCI	\$.056864
Novas/Gilligs	\$.055632
Group D Novas	\$.058410
Novas – Articulated	\$.077880

Note 13 – 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.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 14 – DEFINED BENEFIT POST-EMPLOYMENT HEALTH BENEFIT PLAN

Plan Descriptions

The District provides post-employment 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's annual other post-employment benefit (OPEB) cost (expense) for the Plan is calculated based on the annual required contribution (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 2015 and related information are as follows:

	<u>2015</u>	<u>2014</u>
ARC	\$ 198,000	\$ 190,000
Interest on net OPEB obligation	137,000	130,000
Adjustment to ARC	<u>(118,000)</u>	<u>(112,000)</u>
Annual OPEB cost	217,000	208,000
Contributions made	<u>(68,000)</u>	<u>(57,000)</u>
Increase in net OPEB obligation	149,000	151,000
Net OPEB obligation beginning of year	<u>2,743,000</u>	<u>2,592,000</u>
Net OPEB obligation end of year	<u>\$ 2,892,000</u>	<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:

Year <u>Ended</u>	Annual		% of OPEB	
	OPEB <u>Cost</u>	Actual <u>Contribution</u>	Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
6/30/11	\$ 1,154,000	\$ 133,000	11.5%	\$ 2,825,000
6/30/12	974,000	158,000	16.2%	3,641,000
6/30/13	1,033,000	76,000	7.4%	2,592,000
6/30/14	208,000	57,000	27.4%	2,743,000
6/30/15	217,000	68,000	31.3%	2,892,000

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 14 - DEFINED BENEFIT POST-EMPLOYMENT HEALTH BENEFIT PLAN (continued)

Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2015 and 2014, was as follows:

	<u>2015</u>	<u>2014</u>
Actuarial accrued liability (a)	\$3,232,000	\$2,743,000
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability (funding excess) (a)-(b)	<u>\$3,232,000</u>	<u>\$2,743,000</u>
Funded ratio (b) / (a)	0%	0%
Covered payroll (c)	\$12,557,429	\$10,439,608
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll [(a)-(b)]/(c))	25.7%	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	6/30/2015
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 9.3%,
Ultimate, # of years	4.5% after 8 years

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

Required Supplementary Information

Schedule of Funding Progress of Post-Employment 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%
Actual	7/1/2015	\$0	\$ 3,232	\$ 3,232	\$0	\$12,557	25.7%

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 2017.

Schedule of Employer's Required Contributions - Defined Benefit Plan

The following Schedule of Employer's Required Contributions shows the ten most recent fiscal years information for the defined benefit pension plan.

Fiscal Year	Required contribution
2014-15	\$1,128,590
2013-14	\$1,062,278
2012-13	\$1,043,945
2011-12	\$1,041,606
2010-11	\$1,090,285
2009-10	\$1,092,886
2008-09	\$1,008,728
2007-08	\$934,047
2006-07	\$849,012
2005-06	\$753,819

**SANTA BARBARA
METROPOLITAN TRANSIT DISTRICT**

COMPLIANCE REPORTS

JUNE 30, 2015

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

JUNE 30, 2015

TABLE OF CONTENTS

	<u>Page</u>
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 <i>Government Auditing Standards</i>	1 - 2
Independent Auditor's Report on State Compliance	3 - 5
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by <i>OMB Circular A-133</i> and Schedule of Expenditures of Federal Awards	6 - 8
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	10 - 12



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

111 E. Victoria Street 2nd Floor, Santa Barbara, CA 93101, (805) 962-9175, Fax: (805) 880-0350, 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, 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 9, 2015.

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.

A handwritten signature in black ink that reads "McGowan Guntermann". The signature is fluid and cursive, with "McGowan" on the top line and "Guntermann" on the bottom line.

December 9, 2015



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

111 E. Victoria Street 2nd Floor, Santa Barbara, CA 93101, (805) 962-9175, Fax: (805) 880-0350, www.mcgowan.com

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, 2015.

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, 2015.

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 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, 2015, 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, 2014	\$ 2,572,002	\$ 764,692	\$ 3,336,694
For the year ended June 30, 2015:			
Proceeds received	3,121,161	237,322	3,358,483
Interest earned	6,287	1,486	7,773
Expenditures	-	(500,301)	(500,301)
Unexpended proceeds – year end	<u>\$ 5,699,450</u>	<u>\$ 503,199</u>	<u>\$ 6,202,649</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.



December 9, 2015



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

111 E. Victoria Street 2nd Floor, Santa Barbara, CA 93101, (805) 962-9175, Fax: (805) 880-0350, www.mcgowan.com

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, 2015. 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, 2015.

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 9, 2015. 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.

A handwritten signature in cursive ink, appearing to read "McGowan Guntermann".

December 9, 2015

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2015

FEDERAL GRANTOR/PROGRAM TITLE U.S. DEPARTMENT OF TRANSPORTATION – Federal Transit Administration	FEDERAL CFDA NUMBER	PASS THROUGH FEDERAL NUMBER	EXPENDITURES
Operating Grant	20.507	CA-90-Z164-00	\$ 4,914,363
Operating/Capital Grant	20.507	CA-90-Y035-02	12,325
Capital Grant	20.507	CA-04-068-02	<u>14,038</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,940,726</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2015

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, 2015

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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.507	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, 2015

Section III—Federal Award Findings and Questioned Costs

NO FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

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



BOARD OF DIRECTORS REPORT

MEETING DATE: JANUARY 12, 2016 **AGENDA ITEM # 8**

TYPE: ACTION

PREPARED BY: NATASHA GARDUNO

Signature

REVIEWED BY: GENERAL MANAGER

GM Signature

SUBJECT: MTD Committee Assignments

RECOMMENDATIONS:

MTD committee assignments will be discussed and chosen by the Board.

ATTACHMENT:

- o Current committee list



2015 Board of Directors Committees

As of November 10, 2015

Committees	Members
Development & Marketing	Dave Davis Chuck McQuary Bill Shelor
R & D Technology	Dave Davis Dick Weinberg Dave Tabor
External Affairs/Legislative (General Plans)	Olivia Rodriguez Dave Davis Roger Aceves
Facilities	Dick Weinberg Olivia Rodriguez Dave Tabor
Finance/Audit	Roger Aceves Bill Shelor Dave Tabor
Human Resources/Personnel	Dick Weinberg Roger Aceves Olivia Rodriguez
SBCAG South Coast	
Subregional Committee Member	Dick Weinberg
Calle Real Ad Hoc	Dave Davis Dave Tabor Bill Shelor



BOARD OF DIRECTORS REPORT

MEETING DATE: January 12, 2016

AGENDA ITEM #: 9

TYPE: ACTION

PREPARED BY: BRAD DAVIS

Signature

REVIEWED BY: GENERAL MANAGER

Signature

SUBJECT: AUTHORIZATION TO PURCHASE 3 GILLIG 40' DIESEL BUSES

RECOMMENDATION:

Staff recommends that the Board authorize the General Manager to:

- ◆ Purchase three (3) clean diesel low-floor forty-foot transit buses using options from the Transit Authority of River County contract with Gillig LLC;
- ◆ Immediately issue a purchase order to Gillig in the amount of \$1,357,389.84 for the three buses.

DISCUSSION:

Project Description

MTD's oldest fleet of transit buses, the 1998 40' Novas, recently surpassed 17 years of service. The FTA-recognized useful life of such "heavy-duty" buses is 12 years. Of the original Nova fleet of 33 vehicles, 18 have been retired so far. With the proposed purchase of the three Gillig buses from the TARC contract and the five currently on order from the Port Authority contract, MTD would be able to reduce its fleet of Nova buses to seven, barring any changes in vehicle demand due to increases in service or maintenance needs.

Budget & Funding

The approved capital budget for this fiscal year includes \$1,425,000 for the purchase of replacement buses. \$1,121,161 in Proposition 1B-PTMISEA funds will cover the majority of the estimated project cost of \$1,357,389.84 with the balance coming from TDA-STA funds.

"Piggybacking" Procurement Method

The proposed acquisition makes use of "piggybacking" on an existing contract between the Transit Authority of River County (TARC)—based in Louisville, KY—and Gillig. This cooperative purchasing method allows MTD to use a competitive solicitation process already carried out by another transit agency thereby saving MTD resources. MTD has obtained the options from TARC following a review of their agreement with Gillig to ensure compliance with MTD procurement requirements.

The request for proposals (RFP) was carried out in 2011 by TARC for a maximum of 140 assignable options for forty-foot low-floor transit buses. The solicitation type chosen by TARC

for the procurement was an RFP, so price was not the only selection factor. TARC received four proposals, one from Gillig, Nova Bus, New Flyer and Orion. TARC used the following evaluation criteria in the RFP to determine contract award: product design and performance, proposer reputation, proposer warranty, and cost factors. Of the four bidders, Gillig had the highest cumulative score and was awarded the contract by TARC. If MTD chooses to “piggyback” on this contract, the price per bus would be \$421,352 not including taxes.

Price Analysis

Evaluating the Gillig bus price under the TARC contract against more recent bus prices, it appears that the price that MTD would be paying continues to be competitive. Because there is not a centralized database of transit bus contract awards, MTD staff randomly called various transit agencies throughout the country to find information on recent purchases. The following unit price data was found for similar forty-foot transit buses:

Description	Make	Unit Price	Adjusted Price
Denver, Colorado (RTD) - 64 buses	Gillig	\$420,670	\$ 425,184
Pittsburgh, Pennsylvania (Port Authority) - 60 buses	Gillig	\$427,771	\$ 432,361
New York, New York (MTA) - 45 Buses	New Flyer	\$409,700	\$ 423,735
Oxnard, California (Gold Coast Transit) - 5 Buses	Gillig	\$435,283	\$ 436,024
November 2015 PPI & Average Adjusted Price			\$ 429,326

Relative to the four other bus prices, the quote provided to MTD from Gillig of \$421,352 is 1.9% less than the average price of \$429,326. Efforts were made to normalize pricing for differing bus specifications and sales tax. While there was insufficient information to ensure that all differences were accounted for, the 1.9% margin covers any unaccounted for differences. Based upon the preceding information, I find that the \$421,352 price¹ for the Gillig buses from the TARC contract to be fair and reasonable.

¹ Gillig price quote of \$421,352 per bus reflects price escalation from original TARC contract base bus and several changes to conform to MTD's bus specs.



BOARD OF DIRECTORS REPORT

MEETING DATE: JANUARY 12, 2016 **AGENDA ITEM #:** 10

TYPE: ACTION ITEM

PREPARED BY: STEVE MAAS

Signature

REVIEWED BY: GENERAL MANAGER

GM Signature

SUBJECT: **Low Carbon Transit Operations Program Resolution**

RECOMMENDATION:

Adopt Resolution 2016-01 approving two projects to be funded with California cap-and-trade auction proceeds from the Low Carbon Transit Operations Program (LCTOP).

DISCUSSION:

California cap-and-trade auction proceeds are appropriated to several programs, including the LCTOP, which is administered by Caltrans. LCTOP provides formula funds to transit agencies based on the agency's percentage of statewide fare revenue and to regional transportation planning agencies based on the area's percentage of statewide population. All projects funded with auction proceeds must demonstrate greenhouse gas reduction.

Caltrans requires two resolutions from the Board as part of an LCTOP application. The first, agreeing to comply with all conditions and requirements set forth in the Certification and Assurances and authorizing General Manager Jerry Estrada to execute all required documents, was unanimously approved at the December 15 meeting. The second, approving the specific projects to be submitted, is before the Board today.

MTD is the only transit agency authorized by the LCTOP guidelines to be a Project Lead for South Coast projects, and was directly allocated \$121,403 for FY 2016. SBCAG is also eligible to be a Project Lead, and was allocated \$423,911 for transit projects throughout the county.

LCTOP guidelines currently require that 50 percent of the SBCAG funds go to one or more projects that benefit the one "Disadvantaged Community" (in Santa Maria) that the California Environmental Protection Agency (CalEPA) has identified in the county. On January 7, the county transit operators and SBCAG

staff met by conference call to determine the allocation of the remaining 50 percent of the SBCAG funds. After a lengthy discussion, it was agreed that, for this year, the majority of those funds (\$190,000) would be allocated to MTD. The participants in the conference call agreed to meet on January 27 to discuss a process for the allocation of LCTOP funds in future years.

The SBCAG Board is scheduled to vote on the recommended FY 2016 allocations of LCTOP funds at its meeting of January 21. If the SBCAG Board approves the recommendation, MTD will receive a total of \$311,403 in FY 2016 LCTOP funds. Staff estimates that the \$190,000 will be sufficient to fully fund the FY 2017 A.M. peak-period service enhancement to Lines 1 & 2 that was implemented on November 30, 2015. Staff proposes to program the remaining FY 2016 LCTOP funds to MTD's upcoming Smartcard fare integration project.

Staff recommends that the Board adopt the attached resolution approving the two projects above to utilize FY 2016 LCTOP funds.

ATTACHMENTS:

- o MTD Board Resolution 2016-01

RESOLUTION 2016-01

AUTHORIZATION FOR THE EXECUTION OF THE LOW CARBON TRANSIT OPERATIONS PROGRAM (LCTOP) PROJECTS: SBMTD LINE 1 & 2 A.M. PEAK-PERIOD FREQUENCY IMPROVEMENT: \$190,000 SBMTD SMARTCARD (I.E., NETWORK/FARE INTEGRATION): \$121,403

WHEREAS, the Santa Barbara Metropolitan Transit District (District) is an eligible project sponsor and may receive state funding from the Low Carbon Transit Operations Program (LCTOP) now or sometime in the future for transit projects; and

WHEREAS, the statutes related to state-funded transit projects require a local or regional implementing agency to abide by various regulations; and

WHEREAS, Senate Bill 862 (2014) named the Department of Transportation (Department) as the administrative agency for the LCTOP; and

WHEREAS, the Department has developed guidelines for the purpose of administering and distributing LCTOP funds to eligible project sponsors (local agencies); and

WHEREAS, the District wishes to implement the LCTOP project(s) listed above,

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the District that the fund recipient agrees to comply with all conditions and requirements set forth in the applicable statutes, regulations and guidelines for all LCTOP funded transit projects.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the District that it hereby authorizes the submittal of the following project nominations and allocation requests to the Department in FY 2015-16 LCTOP funds:

Project Name: SBMTD Line 1 & 2 A.M. Peak-Period Frequency Improvement

Amount of LCTOP funds requested: \$190,000

Short description of project: Enhanced service between east and west Santa Barbara

Contributing Sponsors (if applicable): Santa Barbara County Association of Governments

Project Name: SBMTD Smartcard (i.e., Network/Fare Integration)

Amount of LCTOP funds requested: \$121,403

Short description of project: Fare card that can be used for multiple transit systems

Contributing Sponsors (if applicable): Santa Barbara County Association of Governments

PASSED AND ADOPTED by the Board of Directors of the Santa Barbara Metropolitan Transit District this 12th day of January, 2016, by the following vote:

AYES: _____

NAYS: _____ Chair, Board of Directors

ABSENT: _____

ATTEST:

Secretary, Board of Directors



BOARD OF DIRECTORS REPORT

MEETING DATE: JANUARY 12, 2016 **AGENDA ITEM #:** 11

TYPE: ACTION ITEM

PREPARED BY: JERRY ESTRADA

Signature

REVIEWED BY: GENERAL MANAGER

GM Signature

**SUBJECT: FIRST AMENDMENT TO EMPLOYMENT AGREEMENT WITH
GENERAL MANAGER**

DISCUSSION:

Per the direction of the Board of Directors, attached is Amendment 1 to the General Manager's employment agreement, which documents an increase in his base salary, retroactive to January 1, 2016.

ATTACHMENTS:

- First Amendment to Employment Agreement of July 19, 2014 General Manager, Santa Barbara Metropolitan Transit District

**FIRST AMENDMENT TO
EMPLOYMENT AGREEMENT OF JULY 19, 2014
GENERAL MANAGER, SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**
THIS FIRST AMENDMENT TO EMPLOYMENT AGREEMENT is made
and entered into this 12TH DAY OF JANUARY, 2016 by and between **THE
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT ("MTD") and JERRY
ESTRADA ("Estrada")** at Santa Barbara, California, with reference to the following facts
and intentions:

This amendment will be effective, retroactively, on January 1, 2016.

- A.** Employee serves as General Manager for the Santa Barbara Metropolitan Transit District (MTD).
- B.** Employee has a written employment agreement with the MTD (Employment Agreement).

NOW, THEREFORE, in consideration of the above recitals, the Board of Directors' wishes and the mutual promises and conditions of the Employment Agreement, **IT IS AGREED** as follows:

1. Section 6, item (a) – Base Salary. The following provisions of Section 6, item (a) Base Salary, shall be amended to read as follows:

- (a) MTD agrees to compensate Estrada for services performed pursuant to the Employment Agreement at a gross, annual base salary of \$150,835 per year, effective January 1, 2016, to be paid in 26 bi-weekly installments, subject to appropriate withholding and payroll taxes.

All other provisions of the Employment Agreement, as amended hereby, shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to the Employment Agreement of July 19, 2014, on the date first written above.

MTD - Board of Directors

By: _____ Date: _____
Dave Davis, Chairperson, MTD Board of Directors

By: _____ Date: _____
Jerry Estrada, General Manager

To: MTD Board of Directors
From: Jerry Estrada, General Manager
Date: January 12, 2016
Subject: General Manager's Report

Operations & Maintenance

During the holiday season, MTD participated in the Santa Barbara Downtown Holiday Parade, which was very well attended by the public. Additionally, there were two other holiday parades, one on Milpas Street and another in Carpinteria in which MTD also participated. It was necessary to detour our affected routes for a minimal amount of time, both before and after the parades to accommodate the street closures. No service was lost, and our Operators did an outstanding job transporting their passengers in the parades.

The "Stuff the Bus" campaign, in which MTD partners with Peoples' Self-Help Housing (PSHH) to collect hundreds of unwrapped gifts for children from low-income families living at PSHH affordable housing properties on the South Coast was well received. Bus Operator Eddie Cervantes drove a unit around the community, picking up all the intended gifts and delivering them for wrapping. The 7th annual event went smoothly and MTD was well represented.

Operations staff attended a Flood ConOps Meeting at the SB County Emergency Operations Center, along with other local agencies, in preparation for our upcoming El Nino season. Staff will continue to participate as needed.

Our two newest Operators in training, Isaiah Pollard and James Steele, successfully passed their DMV testing. They are nearing the end of the training program, and are expected to assume their bid shifts within a couple of weeks.

The CARB-mandated engine change-outs on the 2011 hybrid fleet have begun. The 2011 Cummins ISB engines are rated by CARB regulations as a medium heavy duty engine that must be replaced every 185,000 miles. Bus 912 is complete and back on the road. Bus 915's engine is installed, however, there are several issues with the Allison Hybrid system. After visits from two Valley Power technicians, the bus has been towed to their City of Industry facility for repair. Bus 909 is next. The engine for 909 is here on-site. All seven will have to have their engines replaced at 185,000 mile intervals for the life of the bus.

Five forty-foot replacement diesel buses on order with Gillig are now in production and are expected to begin arriving in February. Maintenance staff is working with the procurement staff on the yard fencing and gate projects.

Administration

SBCC closed the West Campus loop until late 2017 to construct the adjacent West Campus Classroom/Office Building project. The Line 16 uses this stop during the school year and for one trip during the AM peak during the summer and spring and winter breaks. In coordination with the City of Santa Barbara and SBCC staff, a detour has been established along Castillo Street, Shoreline Drive and Cliff Drive in a one way clockwise direction with temporary stops on Castillo Street near Pershing Park and on Loma Alta near the SBCC gym. The Montecito/Rancheria stop and inbound Cliff/Loma Alta stop across from SBCC will be temporarily closed during the detour. The recently expanded outbound Cliff/Loma Alta stop at SBCC and all other stops will remain open. The December re-print of the schedule book reflects the detour route.

Staff submitted an application to Caltrans for funding from the Sustainable Transportation Planning Grant program to procure a consultant to complete an MTD Transit Facilities Master Plan. Caltrans expects to notify successful applicants in May or June, with the funded projects to begin in September or October, 2016.

Staff attended two meetings regarding the California Highway Patrol (CHP) proposal to build a new facility on western Hollister Avenue: a public meeting the evening of December 8 and a Goleta City Council presentation on December 15. Opponents of the proposed location have requested the CHP to consider other locations, including a portion of MTD's Calle Real site.

Staff attended a meeting of county transit operators organized by SBCAG on December 21. The meeting included several topics, including funding for the Clean Air Express, projects for remaining Prop 1B funds, and allocation of the FY 2016 countywide portion of LCTOP funds that flows through SBCAG. No decisions were reached at the meeting. A follow-up conference call was held January 7 to determine the allocation of the countywide LCTOP funds. After a lengthy discussion, it was agreed that SBCAG staff would recommend that their Board allocate \$190,000 of those funds to MTD. Staff appreciates SBCAG staff's support for this recommendation.

As required by FTA, staff submitted the required monthly ridership and safety & security reports for November, and the ridership report for December, to the National Transit Database.

Staff of the University of California, Santa Barbara (UCSB) has informed us that in April 2016 the students will vote on whether or not to continue the student pass program. UCSB holds such a vote at four-year intervals. They have proposed ballot language similar to previous votes. The proposed language would ask if the mandatory fee of \$13.13 per quarter, including summer, should continue. The fee would continue to be indexed to MTD's adult cash fare.