



AGENDA

**Meeting
of the
BOARD OF DIRECTORS
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
A Public Agency
Tuesday, January 10, 2017
8:30 AM
John G. Britton 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

4. OATH OF OFFICE - (ACTION MAY BE TAKEN)

Newly appointed Board member Paula Perotte will be sworn in as Director for the Santa Barbara Metropolitan Transit District.

CEREMONIAL ITEM

5. ROGER ACEVES RECOGNITION RESOLUTION #2017-01– (ACTION MAY BE TAKEN)

The matter of honoring Former Board Member Roger Aceves.

CONSENT CALENDAR

6. 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 13, 2016.

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

The Board will be asked to review and approve the cash reports for the periods of December 6, 2016 through December 19, 2016 and December 20, 2016 through January 2, 2017.

8. FINAL FY 2015-16 AUDITED FINANCIAL STATEMENTS & REPORTS– (ATTACHMENTS-ACTION MAY BE TAKEN)

The Board will be asked to review the final audited financial statements and compliance reports for the fiscal year ended June 30, 2016

THIS CONCLUDES THE CONSENT CALENDAR

9. 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.

10. ELECTION OF OFFICERS- (ACTION MAY BE TAKEN)

The Board will hold elections for the following Board assignments: Chair, Vice Chair, and Secretary.

11. MTD BOARD OF DIRECTORS – STANDING COMMITTEE ASSIGNMENTS - (ATTACHMENTS-ACTION MAY BE TAKEN)

Staff recommends: 1) that the Board of Directors consider consolidation of its standing committees; and 2) that the Directors share their preferences for assignment.

12. FINAL DRAFT TDA TRIENNIAL PERFORMANCE AUDIT - (ATTACHMENTS-INFORMATIONAL)

Staff will update the Board regarding the Final Draft FY 2013-2015 Triennial Performance Audit of Santa Barbara Metropolitan Transit District ("Draft Audit").

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

The Board will be asked to Adopt Resolution 2017-02 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 2017 California cap-and-trade funds from the Low Carbon Transit Operations Program (LCTOP).2

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

- a) Hiring
- b) Capital Projects
- c) Budget and Service Plan

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

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

16. RECESS TO CLOSED SESSION–CONFERENCE WITH LABOR NEGOTIATORS- (ACTION MAY BE TAKEN)

The Board will meet in closed session pursuant to Government Code Section 54957.6:
SBMTD designated representatives: Dave Davis, Chuck McQuary, Dick Weinberg, Olivia Rodriguez, Roger Aceves, Dave Tabor, Bill Shelor

SBMTD unrepresented employee: General Manager

17. SECOND AMENDMENT TO EMPLOYMENT AGREEMENT WITH GENERAL MANAGER

Board will consider approval of the second amendment to the employee agreement with general manager.

18. 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.



BOARD OF DIRECTORS REPORT

MEETING DATE: JANUARY 10, 2017 **AGENDA ITEM #:** 5

TYPE: ACTION

PREPARED BY: LILLY GOMEZ

Signature

REVIEWED BY: GENERAL MANAGER

GM Signature

SUBJECT: Roger Aceves Recognition Resolution #2017-01

DISCUSSION:

The matter of honoring Former Board Member Roger Aceves

RESOLUTION
of the
BOARD OF DIRECTORS
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

IN THE MATTER OF HONORING
THE SERVICE OF
MTD DIRECTOR ROGER ACEVES

RESOLUTION #: 2017-01

IN RECOGNITION

WHEREAS, Roger Aceves served as a board member of Santa Barbara Metropolitan Transit District (District) for seven years; and

WHEREAS, Roger's leadership and experience as a lifelong community servant benefited public transit service throughout the South Coast; and

WHEREAS, Roger advocated to acquire and introduce the District's first fleet of articulated public transit buses to improve the mobility options available to residents of the South Coast of Santa Barbara County; and

WHEREAS, Roger's effort to enhance the District's transparency and administration of its financial processes culminated in the District's Cash Reserve Policy; and

WHEREAS, in doing so Roger helped to preserve and further the South Coast's national reputation as a transit-intensive community; and

IN RECOGNITION and gratitude for these achievements and for over forty years of community service to the South Coast of Santa Barbara County, the Board and Staff of the District heartily thank Roger Aceves.

PASSED AND ADOPTED by the Board of Directors of the Santa Barbara Metropolitan Transit District this 10th day of January, 2017 by the following vote:

AYES: _____
NAYS: _____
ABSENT: _____

Chair, Board of Directors

ATTEST:

Secretary, Board of Directors



MINUTES

Meeting
of the
BOARD OF DIRECTORS
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
A Public Agency
Tuesday, December 13, 2016
8:30 AM
John G. Britton Auditorium
550 Olive Street, Santa Barbara, CA 93101

1. CALL TO ORDER

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

2. ROLL CALL OF THE BOARD OF DIRECTORS

Chair Davis reported that all members were present.

3. REPORT REGARDING POSTING OF AGENDA

Nancy Alexander, Customer & Public Outreach, reported that the agenda was posted on Friday, December 9, 2016 at MTD's Administrative office, mailed and emailed to those on the agenda list, and posted on MTD's WEBSITE.

AT THIS POINT ITEM #8 WAS REMOVED FROM THE AGENDA

CONSENT CALENDAR

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

Director Tabor moved to waive the reading of and approve the draft minutes for the meeting of November 29, 2016, and the cash report for the period of November 22, 2016 through December 5, 2016. Director Aceves seconded the motion. The motion passed unanimously with one abstention from the minutes from Director McQuary as he did not attend the last meeting.

THIS CONCLUDES THE CONSENT CALENDAR

6. PUBLIC COMMENT

Lee Moldaver, Former Board Director acknowledged Nicholas Uribe as an outstanding driver over the years of service with MTD and wishes Mr. Uribe a joyous retirement.

7. FY 2015-16 AUDITED FINANCIAL STATEMENTS & COMPLIANCE REPORTS - (ATTACHMENTS- ACTION MAY BE TAKEN)

Brad Davis, Assistant General Manager acknowledged Assistant controller Thais Sayat, and the Accounting department for all the hard work put forth for the audit and introduced Scott Davis, a Representative of McGowan Guntermann. Mr. Scott Davis presented the District's Financial Statements and Compliance Report for fiscal year 2015-16. Mr. Davis also shared that the auditors and reviewers acknowledged the well written report as one of the best.

Directors Aceves, Rodriguez and Shelor also acknowledged the well written report and requested that staff provide a report with graphs in a future finance meeting in regards to the Financial Trend Analysis with projections.

Chair Davis commended staff for the excellent report and thanked Mr. Scott Davis for the presentation.

9. PROPOSITION 1B – TRANSIT SECURITY GRANT FOR FISCAL YEAR 2014-15 (BOARD RESOLUTION NO. 2016-08) - (ATTACHMENTS-ACTION MAY BE TAKEN)

Staff recommended that the Board adopt Resolution No. 2016-08 for additional funding from FY 2014-15 Proposition 1B – Transit Security funding from the California Governor's Office of Emergency Services (CalOES). CalOES notified MTD & SBCAG that a portion of the funds allocated to SBCAG in FY 2014-15 and awarded by SBCAG to North County agencies had not been utilized. SBCAG voted to provide 50 percent of the funds to MTD. Director Tabor moved to adopt the resolution accepting the funds for MTD's ongoing automatic vehicle location (AVL) project. Director McQuary seconded the motion. The motion passed unanimously.

TIME CERTAIN 9:00 A.M

10. RECESS TO CLOSED SESSION-CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION (GOVERNMENT CODE SECTION 54956.9 (a)) - (ACTION MAY BE TAKEN)

One case: Thomas Albright vs. Santa Barbara MTD

Upon returning from closed session Chair Davis reported that no action was taken.

11. RECESS TO CLOSED SESSION - CONFERENCE WITH LEGAL COUNSEL- EXISTING LITIGATION - (ACTION MAY BE TAKEN)

Conference with legal counsel pursuant to Government Code § 54956.9

One matter: Martha M. Wright v. Goleta Water District, SBSC case no. SM057969

Upon returning from closed session Chair Davis reported that no action was taken.

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, Bill Shelor

SBMTD unrepresented employee: Jerry Estrada, General Manager

Upon returning from closed session Chair Davis reported that no action was taken.

DIRECTOR RODRIGUEZ LEFT THE CLOSED SESSION MEETING AT 11:27 AM.

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

The BYD electric bus and infrastructure project continues to move forward. MTD received approval of plans for charging stations from the City of Santa Barbara, and plans to move forward with infrastructure improvements. Delivery of the new buses is scheduled for February or March, 2017.

The FTA Triennial Review is underway, and Manager of Government Relations & Compliance Steve Maas has compiled answers to the hundreds of questions and the many documents requested by the reviewer. Mr. Maas and Assistant General Manager Brad Davis will be attending the FTA Triennial Review Workshop to be held December 14 & 15.

George Amoon, Manager of Planning is currently working with the City of Goleta on complete streets & new bus stops.

Director Aceves acknowledged Mr. Amoon for being very informative at the last city council meeting.

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

Director Shelor advised that he attended UCSB's sustainability meeting and recommended that MTD look into bike renting as was discussed at the meeting. Chair Davis advised Director Shelor that there have been preliminary conversations about such partnerships.

The Development Committee reported that they had met to discuss upcoming August 2017 service changes and City of Goleta projects.

Director Roger Aceves announced that he will not be resubmitting his name for appointment to the MTD Board of Directors. Mr. Aceves stated that he is very fortunate to have been with the MTD Board since 2008, with only a one-year absence. Mr. Aceves was the first representative from the City of Goleta to join MTD's Board after the legislation was passed to allow the cities of Goleta and Carpinteria to appoint member to the Board. Mr. Aceves is very happy to have been on the board and feels honored to have been a part of the purchase of articulated buses, the 2009 fare increase, to have advocated for and been a part of the auditorium dedication to John G. Britton, and was mostly proud of the cash reserve policy that was formed and implemented that will pay dividends to MTD for a long time. Additionally, he acknowledged that one of the best decisions made while he was on the Board of Directors was to hire Jerry Estrada as the General Manager.

Director Davis acknowledged on behalf of the full Board that Mr. Aceves has been a vibrant partner and tremendous addition to the Board. Director Davis is proud to announce that Mr. Aceves played the role as the Chair's "right hand guy."

Bill Shelor shared that Roger's opinions in the district hold a high value and he would love to continue to keep an open relationship to discuss MTD.

15. ADJOURNMENT

Director Tabor moved to adjourn the meeting at 11:39am. Director Shelor seconded the motion. The motion passed unanimously.

Santa Barbara Metropolitan Transit District
Cash Report
Board Meeting of December 27, 2016
For the Period 12/6/2016 through 12/19/2016

MONEY MARKET

Beginning Balance 12/6/2016 **\$11,725,258.30**

Passenger Fares	157,232.70
Accounts Receivable	37,467.46
Advertising/Prepaid Deposi	16,383.60
Miscellaneous/Asset Sales	2,580.45
Interest Income	99.70
Total Deposits	213,763.91

Bank/CC Fees	(974.53)
ACH Garn/Escrow	(2,278.68)
ACH Pensions Transfer	(29,020.18)
WC Transfer	(47,026.92)
ACH Tax Deposit	(159,865.04)
Payroll Transfer	(329,403.20)
Operations Transfer	(653,435.14)
Total Disbursements	(1,222,003.69)

Ending Balance **\$10,717,018.52**

CASH INVESTMENTS

LAIF Account	\$3,359,659.45
Money Market Account	10,717,018.52

Total Cash Balance **\$14,076,677.97**

SELF INSURED LIABILITY ACCOUNTS

WC / Liability Reserves	(\$3,986,034.17)
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Working Capital **\$10,090,643.80**

Santa Barbara Metropolitan Transit District
Accounts Payable

Check #	Date	Company	Description	Amount	Voids
113608	10/6/2016	EBUS, INC.	BUS PARTS	112.62	V
114061	12/9/2016	ROGER ACEVES	DIRECTOR FEES	120.00	
114062	12/9/2016	A.G.S. REBUILDERS, INC.	SERVICE VEHICLE PARTS/BUS PARTS	315.00	
114063	12/9/2016	B2B PRINTING SERVICES INC.	OFFICE SUPPLIES	1,689.10	
114064	12/9/2016	BIG BRAND TIRES, BRANDCO BILL	SERVICE VEHICLE MAINTENANCE	85.84	
114065	12/9/2016	BLUE GAVEL PRESS DBA	STATE/FEDERAL GUIDES	64.63	
114066	12/9/2016	BNS ELECTRONICS, INC.	SANTA YNEZ SITE RENTAL	271.76	
114067	12/9/2016	BUYNAK, FAUVER, ARCHBALD&S	LEGAL COUNSEL	12,146.28	
114068	12/9/2016	CALIFORNIA ELECTRIC SUPPLY, I	SHOP/B&G SUPPLIES	656.90	
114069	12/9/2016	CARQUEST AUTO PARTS	BUS PARTS & SUPPLIES	252.97	
114070	12/9/2016	CENTRAL COAST CIRCULATION, L	BUS BOOK DISTRIBUTION	575.00	
114071	12/9/2016	COMMUNITY RADIO, INC.	GIB. SITE RENTAL	244.25	
114072	12/9/2016	CINTAS CORPORATION	FIRST AID SUPPLIES	152.98	
114073	12/9/2016	CUMMINS PACIFIC, LLC	BUS PARTS	497.45	
114074	12/9/2016	DAVID DAVIS JR.	DIRECTOR FEES	180.00	
114075	12/9/2016	DAVID ROTH PHOTOGRAPHY DB	PHOTOGRAPHY SERVICES	459.00	
114076	12/9/2016	DENMUN OFFICE SOLUTIONS DB	IT CONTRACT SERVICES	3,612.50	
114077	12/9/2016	DOWNTOWN ORGANIZATION, INC.	TC MAINTENANCE	450.00	
114078	12/9/2016	FGL ENVIRONMENTAL, INC	STORMWATER TEST	337.00	
114079	12/9/2016	STATE OF CALIFORNIA	PAYROLL RELATED	396.52	
114080	12/9/2016	FRANK SCHIPPER CONSTRUCTION	T1 CANOPY PROJECT	1,676.00	
114081	12/9/2016	FRONTIER CALIFORNIA INC.	TELEPHONES	94.99	
114082	12/9/2016	GENFARE, A DIVISION OF SPX COR	FAREBOX REPAIRS & PARTS	8,090.92	
114083	12/9/2016	GIBBS INTERNATIONAL INC	BUS PARTS	619.20	
114084	12/9/2016	GILLIG LLC	BUS PARTS	1,334.73	
114085	12/9/2016	ANN HARBOUR	PAYROLL RELATED	275.00	
114086	12/9/2016	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	242.02	
114087	12/9/2016	INTELLICORP RECORD INC.	PRE-EMPLOYMENT CHECK	373.66	
114088	12/9/2016	INTERSTATE BATTERY OF SIERRA	EV ACCESSORY BATTERIES	474.98	
114089	12/9/2016	JANICARE DBA	JANITORIAL SERV./SUPPLIES	50.74	
114090	12/9/2016	JOY EQUIPMENT PROTECTION, IN	SERVICING FIRE EXTINGUISHERS	565.00	
114091	12/9/2016	KENDALL KLEIN DESIGN DBA	DESIGN SERVICES	432.50	
114092	12/9/2016	LENZ PEST CONTROL DBA	FUMIGATION SERVICES	0.00	V
114093	12/9/2016	LENZ PEST CONTROL DBA	FUMIGATION SERVICES	980.00	
114094	12/9/2016	MANSFIELD OIL CO.- GAINESVILL	DIESEL FUEL	31,079.07	
114095	12/9/2016	MC CORMIX CORP. (OIL)	LUBRICANTS	2,739.78	
114096	12/9/2016	MC CORMIX CORP. (GAS)	FUEL-SERVICE VEHICLES	1,689.86	
114097	12/9/2016	MCMaster-CARR SUPPLY CO.	SHOP/B&G SUPPLIES	37.35	

Check #	Date	Company	Description	Amount	Voids
114098	12/9/2016	CHUCK MCQUARY	DIRECTOR FEES	120.00	
114099	12/9/2016	KENNETH B. MILLS	PROCUREMENT SERVICES	3,036.00	
114100	12/9/2016	MISSION LINEN SUPPLY, INC	UNIFORM & LINEN SERVICE	5,057.55	
114101	12/9/2016	MCI SERVICE PARTS, INC.	BUS PARTS	45.20	
114102	12/9/2016	MOUNTAIN SPRING WATER	SHOP & OFFICE SUPPLIES	1,459.95	
114103	12/9/2016	NU-COOL REDI GREEN, INC	COOLANTS & SHOP SUPPLIES	597.24	
114104	12/9/2016	PREVOST CAR INC.- CREDIT DEPT.	BUS PARTS	239.45	
114105	12/9/2016	OFFICETEAM	TEMPORARY STAFF	741.07	
114106	12/9/2016	ANN BRADY OTTIERI	PAYROLL RELATED	277.00	
114107	12/9/2016	POWERSTRIDE BATTERY CO.	EV BATTERIES	592.77	
114108	12/9/2016	RAL COMPANY DBA	B&G REPAIRS & SUPPLIES	248.02	
114109	12/9/2016	RALPH'S GROCERY	SAFETY AWARDS	9,595.00	
114110	12/9/2016	ARTHUR RODRIGUEZ	VTT RENEWAL	10.00	
114111	12/9/2016	OLIVIA RODRIGUEZ	DIRECTOR FEES	180.00	
114112	12/9/2016	SB COUNTY FEDERAL CREDIT UNI	PAYROLL DEDUCTION	760.00	
114113	12/9/2016	SANTA BARBARA SHERIFF'S DEPT	PAYROLL RELATED	25.00	
114114	12/9/2016	SANTA BARBARA TROPHY	DRIVER NAME PLATES	31.10	
114115	12/9/2016	WILLIAM JOHN SHELOR	DIRECTOR FEES	120.00	
114116	12/9/2016	SM TIRE, CORP.	BUS TIRE MOUNTING	601.50	
114117	12/9/2016	SO. CAL. EDISON CO.	UTILITIES	9,894.18	
114118	12/9/2016	SOFTCHOICE CORP, INC.	PC UPGRADE PROJECT	46,660.64	
114119	12/9/2016	SOUTHWEST LIFT & EQUIPMENT, I	LIFT REPAIRS & SUPPLIES	3,056.46	
114120	12/9/2016	STAPLES CONTRACT & COMMERC	OFFICE SUPPLIES	612.08	
114121	12/9/2016	STAPLES CREDIT PLAN	OFFICE & COMPUTER SUPPLIES	1,723.54	
114122	12/9/2016	STEWART'S DE-ROOTING & PLUM	PLUMBING REPAIRS	1,528.16	
114123	12/9/2016	SB CITY OF-REFUSE/WATER	UTILITIES	1,350.07	
114124	12/9/2016	THE LIGHTHOUSE	SHOP SUPPLIES	18.18	
114125	12/9/2016	THE MEDCENTER	MEDICAL EXAMS	2,190.00	
114126	12/9/2016	TILFORD WELDING DBA	VENDOR BUS REPAIRS	82.00	
114127	12/9/2016	DAVID T. TABOR	DIRECTOR FEES	180.00	
114128	12/9/2016	TEAMSTERS PENSION TRUST	UNION PENSION	89,577.34	
114129	12/9/2016	TEAMSTERS UNION LOCAL NO. 18	UNION DUES	9,830.33	
114130	12/9/2016	J.C. M. AND ASSOCIATES INC.	UNIFORMS	665.53	
114131	12/9/2016	U.S. BANK CORP. PAYMENT SYSTE	MISC. CC PURCHASES	1,831.69	
114132	12/9/2016	VALLEY POWER SYSTEMS, INC.	BUS PARTS	29.73	
114133	12/9/2016	WAXIE SANITARY SUPPLY DBA	JANITORIAL SUPPLIES	237.81	
114134	12/9/2016	RICHARD WEINBERG	DIRECTOR FEES	180.00	
114135	12/15/2016	ABC BUS COMPANIES INC	BUS PARTS	185.46	
114136	12/15/2016	A.G.S. REBUILDERS, INC.	SERVICE VEHICLE PARTS/BUS PARTS	229.92	
114137	12/15/2016	AMERICAN MOVING PARTS, LLC	BUS PARTS	289.78	
114138	12/15/2016	CALIFORNIA ELECTRIC SUPPLY, I	SHOP/B&G SUPPLIES	480.48	

Check #	Date	Company	Description	Amount	Voids
114139	12/15/2016	CARPINTERIA VALLEY CHAMBER	MEMBERSHIP DUES	275.00	
114140	12/15/2016	CELTIS VENTURES LLC	MARKETING SERVICES	3,703.95	
114141	12/15/2016	COM3 CONSULTING INC.	PROCUREMENT SERVICES	7,200.00	
114142	12/15/2016	CINTAS CORPORATION	FIRST AID SUPPLIES	400.42	
114143	12/15/2016	COX COMMUNICATIONS, CORP.	INTERNET & CABLE TV	345.14	
114144	12/15/2016	CUMMINS PACIFIC, LLC	BUS PARTS	0.00	V
114145	12/15/2016	CUMMINS PACIFIC, LLC	BUS PARTS	18,850.66	
114146	12/15/2016	DOWNTOWN ORGANIZATION, INC.	TC MAINTENANCE	450.00	
114147	12/15/2016	EASY LIFT TRANSPORTATION, INC	ADA SUBSIDY	70,925.00	
114148	12/15/2016	EBUS, INC.	BUS PARTS	112.62	
114149	12/15/2016	ERGOMETRICS, INC.	DRIVER TEST SCORING	75.00	
114150	12/15/2016	GENFARE, A DIVISION OF SPX COR	FAREBOX REPAIRS & PARTS	983.54	
114151	12/15/2016	GIBBS INTERNATIONAL INC	BUS PARTS	1,207.02	
114152	12/15/2016	GILLIG LLC	BUS PARTS	4,409.90	
114153	12/15/2016	GRAINGER, INC.	SHOP/B&G SUPPLIES	14.61	
114154	12/15/2016	GUARDIAN-APPLETON (DENTAL I	DENTAL INSURANCE	4,498.62	
114155	12/15/2016	GUARDIAN-APPLETON (LIFE INS)	LIFE INSURANCE	603.70	
114156	12/15/2016	H.G. MAKELIM CO., INC.	BUS PARTS	994.31	
114157	12/15/2016	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	238.47	
114158	12/15/2016	Dept. INDUSTRIAL RELATIONS, Stat	ANNUAL SELF INSURANCE FEE	16,673.22	
114159	12/15/2016	JANICARE DBA	JANITORIAL SERV./SUPPLIES	390.00	
114160	12/15/2016	JMPE ELECTRICAL ENGINEERING	PROFESSIONAL SERVICES	480.00	
114161	12/15/2016	LABOR ALLIANCE MANAGED TRU	DENTAL INSURANCE	9,606.00	
114162	12/15/2016	LMA ARCHITECTS, CORP.	ARCHITECTURAL SERVICES	9,766.91	
114163	12/15/2016	STEVE MAAS	REIMBURSEMENT	120.00	
114164	12/15/2016	MCGOWAN GUNTERMANN	ANNUAL AUDIT	5,982.00	
114165	12/15/2016	MEDICAL EYE SERVICES, INC.	VISION INSURANCE	356.24	
114166	12/15/2016	MIKE CUEVAS GARDENING SERVI	LANDSCAPE MAINTENANCE SERVICE	835.00	
114167	12/15/2016	MOHAWK MFG. AND SUPPLY CO.	BUS PARTS	353.89	
114168	12/15/2016	PREVOST CAR INC.- CREDIT DEPT.	BUS PARTS	21.60	
114169	12/15/2016	O'CONNOR PEST CONTROL DBA	FUMIGATION	77.00	
114170	12/15/2016	OFFICETEAM	TEMPORARY STAFF	597.84	
114171	12/15/2016	POWERSTRIDE BATTERY CO.	EV BATTERIES	592.77	
114172	12/15/2016	REPUBLIC ELEVATOR, INC	ELEVATOR MAINTENANCE	158.58	
114173	12/15/2016	ROGERS, SHEFFIELD & CAMPBELL	LEGAL COUNSEL	28,278.77	
114174	12/15/2016	SANTA BARBARA FASTENERS, INC	SHOP SUPPLIES	84.56	
114175	12/15/2016	SANTA BARBARA TROPHY	DRIVER NAME PLATES	62.21	
114176	12/15/2016	SMART & FINAL	OFFICE/MEETING SUPPLIES	823.16	
114177	12/15/2016	SO. CAL. EDISON CO.	UTILITIES	1,627.58	
114178	12/15/2016	THE GAS COMPANY DBA	UTILITIES	637.03	
114179	12/15/2016	STEWART'S DE-ROOTING & PLUM	PLUMBING REPAIRS	172.55	

Check #	Date	Company	Description	Amount	Voids
114180	12/15/2016	TEAMSTERS MISC SECURITY TRUS	UNION MEDICAL INSURANCE	184,649.00	
114181	12/15/2016	TOTAL BARRICADE SERVICE, INC.	TRAFFIC MANAGEMENT	3,150.00	
114182	12/15/2016	J.C. M. AND ASSOCIATES INC.	UNIFORMS	731.61	
114183	12/15/2016	VALLEY POWER SYSTEMS, INC.	BUS PARTS	167.42	
114184	12/15/2016	VALLEY POWER SYSTEMS, INC.	BUS PARTS	1,756.02	
114185	12/15/2016	VERIZON WIRELESS	WIRELESS PHONES	2,032.24	
114186	12/15/2016	WAXIE SANITARY SUPPLY DBA	JANITORIAL SUPPLIES	243.39	
				653,547.76	
				Current Cash Report Voided Checks:	0.00
				Prior Cash Report Voided Checks:	112.62
				Grand Total:	\$653,435.14

Santa Barbara Metropolitan Transit District
Cash Receipts of Accounts Receivable

Date	Company	Description	Amount
12/6/2016	Department of Rehabilitation	Passes/Passports Sales	476.00
12/7/2016	Bristol Farms/Lazy Acres	Advertising on Buses	2,700.00
12/7/2016	Jim Haggerty	Retiree - Vision	12.20
12/8/2016	ASTI Holding Company, LLC	Overpass Property Lease Dec '16	15,650.26
12/8/2016	UCSB - Parking Services-7001	Passes/Passports Sales	6,896.00
12/12/2016	LOSSAN Rail Corridor Agency	LOSSAN Contract Revenue 6/6-9/30/16	1,361.00
12/12/2016	UCSB - Parking Services-7001	Passes/Passports Sales	6,304.00
12/12/2016	UCSB Bookstore	Passes/Passport Sales	3,450.00
12/13/2016	CoreGen Insurance	Advertising on Buses	166.00
12/13/2016	CoreGen Insurance	Advertising on Buses	166.00
12/13/2016	CoreGen Insurance	Advertising on Buses	166.00
12/19/2016	UCSB - Parking Services-7001	Passes/Passports Sales	60.00
12/19/2016	UCSB - Parking Services-7001	Passes/Passports Sales	60.00
Total Accounts Receivable Paid During Period			\$37,467.46

Santa Barbara Metropolitan Transit District
Cash Report
Board Meeting of January 10, 2017
For the Period 12/20/2016 through 1/2/2017

MONEY MARKET

Beginning Balance 12/20/2016 **\$10,717,018.52**

Accounts Receivable	1,768,209.65
Property Tax Revenue	381,852.32
Passenger Fares	47,770.68
LCTOP Transfers	15,833.33
Advertising/Prepaid Deposits	11,828.00
Miscellaneous/Asset Sales	3,790.39
Total Deposits	2,229,284.37

ACH Garn/Escrow	(2,198.49)
ACH Pensions Transfer	(30,369.67)
ACH Tax Deposit	(150,722.54)
Payroll Transfer	(332,052.07)
Operations Transfer	(1,292,579.09)
Total Disbursements	(1,807,921.86)

Ending Balance **\$11,138,381.03**

CASH INVESTMENTS

LAIF Account	\$3,359,659.45
Money Market Account	11,138,381.03

Total Cash Balance **\$14,498,040.48**

SELF INSURED LIABILITY ACCOUNTS

WC / Liability Reserves	(\$3,928,505.35)
-------------------------	------------------

Working Capital **\$10,569,535.13**

Santa Barbara Metropolitan Transit District
Accounts Payable

Check #	Date	Company	Description	Amount	Voids
113937	11/17/2016	LOUIS MANDEVILLE	RETIREE HEALTH REIMBURSEMENT	232.76	V
114187	12/21/2016	WOODY'S, CATERING BY WOODY'	CHRISTMAS PARTY	2,462.85	
114188	12/23/2016	ABC BUS COMPANIES INC	BUS PARTS	179.49	
114189	12/23/2016	NANCY ALEXANDER	TRAVEL REIMBURSEMENT	17.55	
114190	12/23/2016	ASBURY ENVIRONMENTAL	WASTE OIL RECYCLER	120.00	
114191	12/23/2016	AXLE TECH INTERNATIONAL D	BUS PARTS & REPAIRS	989.61	
114192	12/23/2016	BIG BRAND TIRES, BRANDCO BILL	SERVICE VEHICLE MAINTENANCE	756.88	
114193	12/23/2016	CHK AMERICA INC.	BUS STOP SCHEDULES	8,922.96	
114194	12/23/2016	CIO SOLUTIONS, LP	IT SERVICES	1,067.25	
114195	12/23/2016	COAST TRUCK PARTS	BUS PARTS	276.75	
114196	12/23/2016	CUMMINS PACIFIC, LLC	BUS PARTS	26,194.97	
114197	12/23/2016	DAL POZZO TIRE CORP.	TIRE REPAIR/MOUNTING	45.00	
114198	12/23/2016	DENMUN OFFICE SOLUTIONS DB	IT CONTRACT SERVICES	3,315.00	
114199	12/23/2016	FEDEX dba	FREIGHT CHARGES	162.84	
114200	12/23/2016	STATE OF CALIFORNIA	PAYROLL RELATED	387.48	
114201	12/23/2016	FRONTIER CALIFORNIA INC.	TELEPHONES	1,975.30	
114202	12/23/2016	GIBBS INTERNATIONAL INC	BUS PARTS	747.19	
114203	12/23/2016	GILLIG LLC	BUS PARTS	633.72	
114204	12/23/2016	GOODYEAR TIRE & RUBBER CO	LEASED TIRES	12,068.30	
114205	12/23/2016	ANN HARBOUR	PAYROLL RELATED	275.00	
114206	12/23/2016	H.G. MAKELIM CO., INC.	BUS PARTS	953.18	
114207	12/23/2016	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	6.97	
114208	12/23/2016	IMPERIAL ELECTRIC CO., CORP.	B & G REPAIRS	175.00	
114209	12/23/2016	INTEGRATED SOFTWARE SYSTEM	WEB SITE CONSULTING	317.50	
114210	12/23/2016	J&A EXPRESS ELECTRIC MOTOR	BUS PARTS REPAIRS	1,821.30	
114211	12/23/2016	JANICARE DBA	JANITORIAL SERV./SUPPLIES	3,929.00	
114212	12/23/2016	LENZ PEST CONTROL DBA	FUMIGATION SERVICES	225.00	
114213	12/23/2016	LOUIS MANDEVILLE	RETIREE HEALTH REIMBURSEMENT	232.76	
114214	12/23/2016	MANSFIELD OIL CO.- GAINESVILL	DIESEL FUEL	67,898.97	
114215	12/23/2016	MCMASTER-CARR SUPPLY CO.	SHOP/B&G SUPPLIES	175.02	
114216	12/23/2016	MURPHY ELECTRIC MAINTENANC	ELECTRICAL REPAIRS/INSTALLATION	378.75	
114217	12/23/2016	MOHAWK MFG. AND SUPPLY CO.	BUS PARTS	283.13	
114218	12/23/2016	NATIONAL DRIVE	PAYROLL DEDUCTION	66.00	
114219	12/23/2016	NEWEGG, INC	IT EQUIPMENT & SUPPLIES	474.35	
114220	12/23/2016	NEWARK ELECTRONICS, CORP.	BUS PARTS	236.59	
114221	12/23/2016	NU-COOL REDI GREEN, INC	COOLANTS & SHOP SUPPLIES	497.07	
114222	12/23/2016	PREVOST CAR INC.- CREDIT DEPT.	BUS PARTS	1,382.66	
114223	12/23/2016	OFFICETEAM	TEMPORARY STAFF	1,961.66	

Check #	Date	Company	Description	Amount	Voids
114224	12/23/2016	ANN BRADY OTTIERI	PAYROLL RELATED	277.00	
114225	12/23/2016	PETTY CASH - ALEXANDER, NANC	MISC. PURCHASES	254.62	
114226	12/23/2016	POWERSTRIDE BATTERY CO.	EV BATTERIES	1,185.54	
114227	12/23/2016	SB COUNTY FEDERAL CREDIT UNI	PAYROLL DEDUCTION	760.00	
114228	12/23/2016	SANTA BARBARA NEWSPRESS D	BUS SCHEDULE BOOKLETS	13,187.43	
114229	12/23/2016	SANTA BARBARA NEWS PRESS	PUBLIC NOTICES/EMPLOYMENT ADS	80.96	
114230	12/23/2016	SILVAS OIL CO., INC.	LUBRICANTS	410.85	
114231	12/23/2016	SANTA BARBARA SHERIFF'S DEPT	PAYROLL RELATED	25.00	
114232	12/23/2016	SANTA BARBARA ELECTRONICS S	BUS PARTS, IT & SHOP SUPPLIES	199.42	
114233	12/23/2016	SM TIRE, CORP.	BUS TIRE MOUNTING	311.00	
114234	12/23/2016	SO. CAL. EDISON CO.	UTILITIES	3,073.83	
114235	12/23/2016	SOAP MAN DISTRIBUTIN DBA	CLEANING SUPPLIES	158.38	
114236	12/23/2016	THE GAS COMPANY DBA	UTILITIES	21.62	
114237	12/23/2016	SOUTHWEST LIFT & EQUIPMENT, I	LIFT REPAIRS & SUPPLIES	124.15	
114238	12/23/2016	STAPLES CONTRACT & COMMERC	OFFICE SUPPLIES	528.69	
114239	12/23/2016	STEWART'S DE-ROOTING & PLUM	PLUMBING REPAIRS	884.97	
114240	12/23/2016	SB CITY OF-REFUSE/WATER	UTILITIES	620.99	
114241	12/23/2016	TELCOM, INC.	VENTURA REPEATER SERVICES	1,376.00	
114242	12/23/2016	TEAMSTERS UNION LOCAL NO. 18	UNION DUES	857.50	
114243	12/23/2016	UNITED PARCEL SERVICE, INC.	FREIGHT CHARGES	282.14	
114244	12/23/2016	UNITED WAY OF SB	PAYROLL DEDUCTION	68.00	
114245	12/23/2016	VALLEY POWER SYSTEMS, INC.	BUS PARTS	729.74	
114246	12/23/2016	VAQUERO SYSTEMS	AVL/SMART CARD SERVICES	12,211.25	
114247	12/23/2016	VENTURA COUNTY STAR DBA	PUBLIC NOTICE ADS	205.60	
114248	12/23/2016	WAXIE SANITARY SUPPLY DBA	JANITORIAL SUPPLIES	25.23	
114249	12/23/2016	WAYNE'S TIRE INC.	VEHICLE TIRES	60.00	
114250	12/23/2016	WURTH USA WEST INC.	SHOP SUPPLIES	680.64	
114251	12/23/2016	YACO SCHOLARSHIP FUND	PAYROLL DEDUCTION	98.00	
114252	12/23/2016	YELLOW (YRC) TRANSPORTATION	FREIGHT CHARGES	155.90	
114253	12/29/2016	GENFARE, A DIVISION OF SPX COR	FAST FARE FAREBOXES	1,112,344.35	
				1,292,811.85	
				Current Cash Report Voided Checks:	0.00
				Prior Cash Report Voided Checks:	232.76
				Grand Total:	\$1,292,579.09

Santa Barbara Metropolitan Transit District
Cash Receipts of Accounts Receivable

Date	Company	Description	Amount
12/21/2016	S.B.C.A.G. - K. Epperson	Passes/Token Sales	1,725.00
12/22/2016	Measure A, Section 3 LSTI	Measure "A" Funds June '16	1,634,334.27
12/23/2016	City of S.B. Waterfront Department	Waterfront Shuttle Service-Cruise Ship 9/24	4,220.64
12/23/2016	City of S.B. Waterfront Department	Waterfront Shuttle Service-Cruise Ship 10/1	3,180.64
12/23/2016	City of S.B. Waterfront Department	Waterfront Shuttle Service-Cruise Ship 10/3	3,946.49
12/23/2016	City of S.B. Waterfront Department	Waterfront Shuttle Service-Cruise Ship 10/6	4,001.32
12/23/2016	City of S.B. Waterfront Department	Waterfront Shuttle Service-Cruise Ship 10/12	4,470.28
12/23/2016	City of S.B. Waterfront Department	Waterfront Shuttle Service-Cruise Ship 9/23	2,344.80
12/23/2016	City of S.B. Waterfront Department	Waterfront Shuttle Service-Cruise Ship 9/28	2,227.56
12/23/2016	City of S.B. Waterfront Department	Waterfront Shuttle Service-Cruise Ship 10/21	4,250.96
12/23/2016	City of S.B. Waterfront Department	Waterfront Shuttle Service-Cruise Ship 10/24	3,313.04
12/23/2016	City of S.B. Waterfront Department	Waterfront Shuttle Service-Cruise Ship 10/26	3,313.04
12/23/2016	City of S.B. Waterfront Department	Waterfront Shuttle Service-Cruise Ship 11/2	2,844.08
12/23/2016	City of S.B. Waterfront Department	Waterfront Shuttle Service-Cruise Ship 9/20	2,579.28
12/28/2016	City of SB - (Downtown Shuttle)	Downtown Shuttle Nov '16	90,870.25
12/29/2016	Department of Rehabilitation	Passes/Passports Sales	588.00
Total Accounts Receivable Paid During Period			\$1,768,209.65



BOARD OF DIRECTORS REPORT

MEETING DATE: JANUARY 10, 2017 **AGENDA ITEM #:** 8

TYPE: ACTION

PREPARED BY: BRAD DAVIS

Signature

REVIEWED BY: GENERAL MANAGER

Signature

SUBJECT: FINAL FY 2015-16 AUDITED FINANCIAL STATEMENTS & REPORTS

DISCUSSION:

Attached are the final audited financial statements and compliance reports for the fiscal year ended June 30, 2016, which together comprise the Single Audit Report. Some of the numbers in the financial statements changed from those reported in the draft statements provided last December 13. Of significance, liability reserves and expenses were reduced by \$109,000. This resulted in a reduction in the operating surplus and an increase in the unrestricted net position by the same amount. Note that the draft Management Discussion and Analysis referenced the correct amounts so it is unchanged. There were also three minor additions to the footnotes to comply with GASB requirements.

Also included is the Board communication letter provided by McGowan Guntermann which addresses any audit findings such as difficulties encountered, misstatements, etc. There were no findings reported by the auditor.

Attachments: *Board Communication Letter* dated December 9, 2016
Financial Statements and Required Supplementary Information for years ended June 30, 2016 and June 30, 2015
Compliance Reports for year ended June 30, 2016



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

Communication with Those Charged with Governance

December 9, 2016

Board of Directors
Santa Barbara Metropolitan Transit District
550 Olive Street
Santa Barbara, CA 93101

Dear Board Members:

We have audited the financial statements of Santa Barbara Metropolitan Transit District for the year ended June 30, 2016, and have issued our report thereon dated December 9, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the *Uniform Guidance* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 10, 2016. Professional standards require that we provide you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. As described in Note 2 to the financial statements, the District has adopted Statement of Governmental Accounting Standards (GASB Statement) No. 72, *Fair Value Measurement and Application* in the current year. In accordance with the Statement, disclosures related to cash and investments were changed. Additionally GASB Statement No.76 –*The Hierarchy of Generally Accepted Accounting Principles for State and Local Government* was adopted, however it did not directly change the presentation or accounting. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the lives of fixed assets is based on past history as well as the lives prescribed by the Federal Transportation Administration.
- Management's estimate of legal liability reserves is based on past history as well as values estimated by legal counsel.

Qualitative Aspects of Accounting Practices

- The estimate of the accrued post-employment health benefits and workers compensation reserve is prepared by the actuaries.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have received certain representations from management that are included in the management representation letter dated December 9, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We would like to thank the District team for their assistance during the audit.

This information is intended solely for the use of the Board of Directors and management of Santa Barbara Metropolitan Transit District and should not be used by anyone other than these specified parties.

McGOWAN GUNTERMANN

A handwritten signature in dark ink, appearing to read "SCD as". The letters are stylized and cursive.

Scott Davis, CPA
Audit Partner

**SANTA BARBARA
METROPOLITAN TRANSIT DISTRICT
FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016 AND 2015**

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

June 30, 2016 and 2015

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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

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, 2016 and 2015, 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, 2016 and 2015, 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 3 - 12 and the schedule of funding progress of other postemployment healthcare plan and schedule of required contributions for defined benefit pension plan on page 34, 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, 2016, 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.

The block contains two handwritten signatures in dark ink. The first signature, on the left, reads "McGowan" in a cursive script. The second signature, on the right, reads "Guntermann" in a similar cursive script.

December 9, 2016
Santa Barbara, California

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2015-16

This *Management's Discussion and Analysis for Fiscal Year 2015-16* provides a narrative and analytical overview of the financial activities of the Santa Barbara Metropolitan Transit District (District). It is an important element of this audit report meant to provide greater understanding and insight into the financial statements. The District's basic financial statements are prepared using proprietary (enterprise) fund accounting, the same basis of accounting used by private-sector business entities. 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.

Financial Reports

There are four basic financial statements included in this audit report for the fiscal year ended June 30, 2016. These are followed by notes to the financial statements. A separate document, which is an integral part of this financial audit, provides specific supplementary information required by state and federal laws and regulations, and the Government Accounting Standards Board (GASB). The financial statements include the following:

- The *Statements of Net Position* presents information on the District's assets and liabilities, with the difference between the two reported as net position.
- The *Statements of Revenue, Expenses and Changes in Net Position* reports the District's operating and capital revenue less operating expenses to determine the change in net position. It reconciles with the ending net position shown on the *Statements of Net Position*.
- The *Statement of Expenses* provides a more detailed breakdown of the operating costs included in the *Statements of Revenue, Expenses and Changes in Net Position*.
- The *Statements of Cash Flows* reports cash and cash equivalent activities resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities. The net result of these activities, added to the start of the year cash balance, agrees with the year-end cash and cash equivalent balance.

Financial Summary

The net position of the District at June 30, 2016, which measures the amount that the District's assets exceeded its liabilities, was \$44.8 million. This represents a 1% decrease from the net position at June 30, 2015. The District's net position change takes into account the results of both operational and capital activities for the year. With revenue dedicated to operations of \$24.3 million and total operating expenditures for the provision of public transit of \$23.9 million (before depreciation expense), there was a \$474,891 operating surplus in FY 15-16. Capital activities were comprised of asset acquisitions and disposals as well as the annual depreciation charges of the assets. The net increase in the value of the District's capital assets during the year was \$1,795,863. This brief overview will be discussed and analyzed in the balance of this report.

Statements of Net Position

The District's financial condition as measured by its assets and liabilities remained stable. Liabilities did increase more than assets as indicated by the decrease of \$464,083 in the District's net position. The following table is a condensed version of the *Statements of Net Position* included on page 13 of this audit report.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2015-16

Statements of Net Position

June 30, 2016 and 2015

(thousands of dollars)

<u>Assets</u>	<u>2015-16</u>	<u>2014-15</u>	<u>Change</u>
Current Assets	\$21,467	\$19,104	12%
Non-Current Assets	3,413	6,203	-45%
Capital Assets (net)	30,576	28,780	6%
Total Assets	<u>\$55,456</u>	<u>\$54,087</u>	3%
<u>Liabilities</u>			
Current Liabilities	\$3,580	\$2,059	74%
Non-Current Liabilities	<u>7,064</u>	<u>6,751</u>	5%
Total Liabilities	<u>\$10,644</u>	<u>\$8,810</u>	21%
<u>Net Position</u>			
Invested in Capital Assets	\$30,576	\$28,780	6%
Restricted	3,413	6,203	-45%
Unrestricted	<u>10,824</u>	<u>10,294</u>	5%
Total Net Position	<u>\$44,812</u>	<u>\$45,277</u>	-1%
Total Liabilities & Net Position	<u>\$55,456</u>	<u>\$54,087</u>	3%

Assets – The \$55.5 million in total District assets at June 30, 2016, represents a 3% increase from the prior year. Current assets, comprised mainly of cash and equivalents, grew by \$2.4 million over the year to \$21.5 million. The cash increase was mainly due to the receipt of grants receivable from FY 14-15, including federal operating assistance. Other current assets including prepaid expenses, trade receivables, and the bus parts inventory remained relatively unchanged.

The non-current assets of \$3.4 million reflect operating and capital grant funds received in advance. Although the funds are held in short term investments which are typically part of current assets, GASB requires that advanced grant monies be segregated. Non-current assets decreased nearly 50% from FY 14-15 due to the expenditure of the advance funds for the intended purposes, primarily capital acquisitions. This is seen in the corresponding increase in District capital assets during the year to over \$30 million.

Liabilities – District liabilities of \$10.6 million at year-end reflected a \$1.8 million increase from the prior fiscal year. The majority of the rise was in current liabilities (accounts payable) and was a short-term variance resulting from an outstanding \$1.1 million invoice at year end. With payment of the invoice early in FY 16-17, current liabilities were down to typical recent levels.

The majority of the long-term liabilities of \$7.1 million were comprised of anticipated future retiree health benefit (OPEB) costs (\$3.1 million) and estimated future workers' compensation payouts (\$3 million). Long-term liabilities also include earned but unused vacation pay, vested retirement sick cash outs, and estimated future payouts for liability claims. Most of these showed

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2015-16

nominal growth during the fiscal year. An exception is liability payout reserves which decreased by 21% due to claim settlements for less than the established reserve.

Net Position – The net position of the District decreased by 1% to \$44.8 million during the latest fiscal year. The basis of this change is addressed here as well as in the section on the *Statements of Revenues, Expenses, and Changes in Net Position*. The emphasis in this section is on the three net position categories: capital assets, restricted net position, and unrestricted net position. The capital asset investments of the District, made up of its buses, operating and passenger facilities, equipment, and projects in progress, stood at \$30.6 million at June 30, 2016, a net increase of \$1.8 million. This change is made up of three components: the year's asset acquisitions of \$5.4 million; asset disposals of \$2.2 million; and a \$1.5 million increase in the accumulated depreciation of the assets (depreciation represents the expensing of a portion of the capital asset each year of its useful life rather than expensing all in the year of purchase). The details of the acquisitions and disposals are included in the Capital Assets section below.

Restricted net position corresponds to the portion of District cash and investments assets that are earmarked towards specific future purposes. Specifically, the \$3.4 million in restricted net position is equal to and offsets the advance grant funds received that make up the previously discussed non-current assets. It includes \$3.1 million in State of California Proposition 1B Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) funds and \$311,000 in State of California Low Carbon Transit Operations Program (LCTOP) funds. The PTMISEA monies are allocated for the acquisition of buses, the AVL/smart card project, and the Transit Center renovation. The LCTOP funding is dedicated to the continuing additional AM peak service on Lines 1 and 2 and a new allocation for the smart card project. The District's restricted net position decreased by 45% from FY 14-15, in step with the reduction in the non-current assets, in order to fund operating and capital costs in FY 15-16.

The District's unrestricted net position of \$10.8 million represents the value of the net position that is not designated towards a particular use. As with restricted net position, it is offset by cash and investments which in this case are part of current assets. The year-end level is a \$530,000 increase from the prior year, which roughly corresponds to year's operating surplus. Unrestricted net position is composed of the District's original non-capital assets at formation in 1969 and the aggregate of annual surpluses and deficits since that time. In fiscal year 15-16, the District Board of Directors adopted a Cash Reserves Policy which formally designated that the unrestricted net position be used for reserve funds. These funds include a working capital reserve for day-to-day cash flow requirements, an appropriated reserve for unanticipated budget needs, an emergency reserve for extraordinary losses, and a capital reserve for funding future capital acquisitions.

Statements of Revenues, Expenses and Changes in Net Position

The *Statements of Revenues, Expenses and Changes in Net Position* differ from the traditional operating budget reported to the Board in that they also includes capital revenue and depreciation expense. The emphasis of the statement is to show how all revenues and expenses lead to the change in net position for the year. As stated at the outset, the result of operations alone was a \$475,000 surplus. This surplus combined with new capital revenue and less depreciation expense netted to the \$464,000 decrease in the District's net position for the year ended June 30, 2016.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2015-16

This is a substantial change from FY 14-15 when the net position increased by \$3.9 million. The large difference stems from two events: a capital inflow of \$3.4 million in PTMISEA funds and the operating surplus of \$1.1 million for that year. Following is a condensed and modified version of the *Statements of Revenues, Expenses and Changes in Net Position* financial statement that is found on page 14 of this audit report.

Statements of Revenues, Expenses & Change in Net Position

(thousands of dollars)

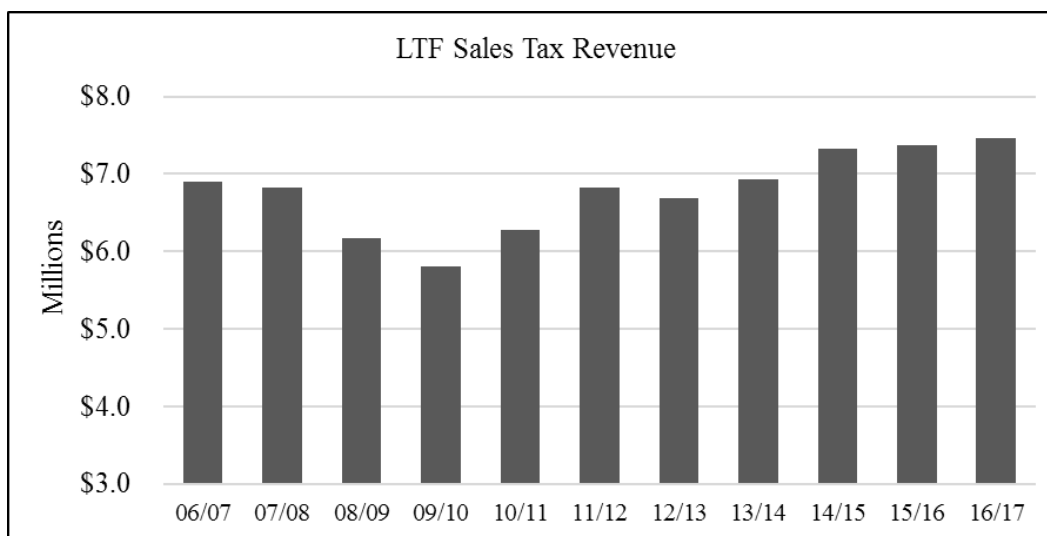
<u>Revenues</u>	<u>2015-16</u>	<u>2014-15</u>	<u>Change</u>
Fare Revenue	\$7,562	\$8,275	-9%
TDA Sales Tax Revenue	7,375	8,934	-17%
Federal Grant Assistance	5,484	4,941	11%
Measure A Sales Tax Revenue	3,642	3,254	12%
Property Tax Revenue	1,095	1,028	6%
Miscellaneous Grants	790	136	480%
Non-Transportation Income	570	780	-27%
Proposition 1B Grants	236	3,358	-93%
Total Revenues	<u>\$26,754</u>	<u>\$30,707</u>	-13%
<u>Expenses</u>			
Route Operations	\$14,347	\$13,511	6%
Vehicle Maintenance	4,959	5,493	-10%
Passenger Accommodations	1,522	1,502	1%
General Overhead	3,044	2,747	11%
Capital Asset Depreciation	3,346	3,595	-7%
Total Expenses	<u>\$27,219</u>	<u>\$26,848</u>	1%
Change in Net Position	(\$464)	\$3,858	-112%
Beginning of Year Net Position	<u>45,277</u>	<u>41,418</u>	9%
End of Year Net Position	<u><u>\$44,812</u></u>	<u><u>\$45,277</u></u>	-1%

Revenues – Fare revenue of \$7.6 million for FY 15-16 year was \$715,000 or 9% less than that received in the prior year. This sizeable decrease stems from the equally substantial fall in ridership. Cash fares fell 10% and pass sales were down 17%. Aggregate contract fares from the City of Santa Barbara, UCSB, and SBCC were nearly unchanged to FY 14-15 levels. The effect of the termination of the Coastal Express Limited service in FY 14-15 and corresponding refunds in FY 15-16 reduced fare revenue by \$140,000 representing 2% of the overall 9% decrease.

Transportation Development Act sales tax revenue totaled \$7.4 million for the fiscal year and was comprised of the SB325 Local Transportation Fund (LTF). Taking into account a late LTF payment for FY 14-15 credited to FY 15-16, LTF experienced less than 1% growth in FY 15-16. Of the \$8.9 million in overall TDA funds received in the prior year, \$7.3 represented LTF from that year and \$1.7 million was from the SB620 State Transit Assistance Fund (STA) which was used for capital purchases (no STA funds were allocated to capital projects in FY 15-16).

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2015-16



Federal assistance of \$5.5 million included both Section 5307 FTA formula operating assistance (\$5 million) and FTA Section 5339 capital assistance (\$500,000), the latter used to fund two of the five 40' Gillig buses acquired in FY 15-16. Federal operating assistance was up 1.5% from the prior year. The local Measure A sales tax revenue of \$3.6 million included both operating and capital income. The \$2 million dedicated to operations was a slight increase over FY 14-15.

Property tax was up 6% to nearly \$1.1 million, a sign of continuing local real estate price appreciation. Miscellaneous grants increased nearly fivefold from UCSB funding of enhanced lines 12x and 24x service; and LCTOP funds from the state's "cap-and-trade" program which supported the smart card project and increased AM peak service on the lines 1 and 2.

Expenses – Total expenses of \$27.2 million included \$23.9 in operating expenses and \$3.3 million in depreciation expense of the District's capital assets. Excluding depreciation, operating expenses were 2.6% greater than those incurred in FY 14-15.

Route Operations costs grew by 6% to \$14.3 million stemming from a 2% growth in the service level; 1.5% wage and 8% health benefit increases for represented employees; a \$308,000 rise in workers' compensation costs due to an upward revision to reserves levels; and a \$200,000 boost in subsidies for the provision of ADA paratransit services. The latter was necessary to mitigate trip denials associated with greater demand for the paratransit services provided by Easy Lift.

District expenses for Vehicle Maintenance of \$5 million fell by 10% relative to the prior year. The biggest factor accounting for the reduction was the steep decrease in diesel fuel prices which translated into a \$574,000 or 27% reduction in fuel costs compared to FY 14-15. Also causing the decrease in expenses was the delay in filling the department manager position, which did not occur until late in the year. The cost of workers' compensation in Vehicle Maintenance fell by 70% as anticipated reserve levels were adjusted to account for lower actual claims costs.

The Passenger Accommodations function incorporates planning, marketing, passenger facilities, and fare revenue collection. As a whole, the \$1.5 million in expenditures for the fiscal year was

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2015-16

essentially unchanged from FY 14-15. While this was composed of offsetting increases and decreases in spending within the departments, there were no substantial amount variances.

General Overhead expenditures of \$3 million increased by 11% from FY 14-15. There were several key factors contributing to the growth: the human resources/ risk manager position was vacant for part of FY 14-15 providing a lower base for comparison; a staff position was added to the department in FY 15-16; the biennial OPEB actuarial study was carried out; and the annual expense for the change in the OPEB reserve increased by 28% to \$190,000.

Budget Analysis

Operating results were generally in line with the budget. With revenue coming in 1% over projections and operating costs ending at 2% below the budget, the District ended the year with a \$475,000 surplus instead of the \$210,000 deficit that had been projected in the mid-year revision.

FY 15-16 Operating Budget Variance (thousands of dollars)

<u>Revenues</u>	<u>Actual</u>	<u>Budget</u>	<u>Change</u>
Fare Revenue	\$7,562	\$7,696	-2%
LTF Sales Tax Revenue	7,375	7,322	1%
Federal Operating Assistance	4,984	4,944	1%
Measure A Sales Tax Revenue	2,007	2,021	-1%
Property Tax Revenue	1,095	975	12%
Non-Transportation Income	847	788	7%
Miscellaneous Grants	477	446	7%
Total Revenues	<u>\$24,347</u>	<u>\$24,192</u>	1%
<u>Expenses</u>			
Route Operations	\$14,347	\$14,435	-1%
Vehicle Maintenance	4,959	5,285	-6%
Passenger Accommodations	1,522	1,704	-11%
General Overhead	3,044	2,977	2%
Total Expenses	<u>\$23,872</u>	<u>\$24,401</u>	-2%
Operating Surplus	<u>\$475</u>	<u>(\$210)</u>	-326%

Operating Revenue Budget – Fare revenue was 2% under budget due to the mid-year budget revision when the ridership dip was taken into account. Relative to the initial budget, the revenue shortfall would have been more in line with the 9% drop from the prior year. The District's three primary operating subsidies, federal operating assistance, LTF sale tax revenue, and Measure A sales tax revenue, were all within 1% of anticipated levels. Property tax revenue exceeded expectations by 12% from the greater than expected property valuation growth. Advertising revenue of \$588,000 exceeded budgeted income by 12% as well. This resulted from an improvement in the percent of available bus advertising space that was sold.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2015-16

Operating Expense Budget – Total operating expenses of \$23.8 million were 3% less than the \$24.4 million budget. Route Operations expenses came in just under budget. While ongoing difficulties in recruiting drivers resulted in more overtime pay than anticipated, this was offset by reduced driver benefit payments. Driver workers' compensation costs also were under budget, by 4%. However, general liability costs exceeded estimates due to several new claims in FY 15-16.

Vehicle Maintenance costs were under budget by 6%. The principal reason was unfilled mechanic positions as recruitment difficulties persisted here as well. Fuel costs were also less than projected as the effect of falling oil prices was underestimated. Workers' compensation costs were under budget by 70% which matches the actual reduction relative to the prior year.

Passenger Accommodations costs in FY 15-16 were 10% less than budgeted. In particular, outlays for promotions and passenger information were about half of the approved level. Essentially, such costs have moved back to FY 16-17 due to the delay in the engagement of a marketing firm and hiring of a marketing manager.

Expenditures for General Overhead were 2% over budget. The cause was that the \$190,000 expense from the OPEB reserve increase was not part of the budget. Taking this into account, General Overhead costs were \$124,000 or 4% below budget. The key areas where expenses were under budget include general legal costs, pension administration fees, and the cost of utilities.

Capital Assets

Over 80% of the capital expenditures of \$5.4 million were for continuance of the AIM project implementation and the acquisition of five 40' Gillig diesel buses. AIM includes the use of intelligent transportation systems incorporating automatic vehicle location-based systems and the addition of video cameras on the District's revenue vehicle fleet. The bus purchase continues the ongoing 1998 Nova fleet replacement. Facility improvements were mainly comprised of the ongoing Olive Terminal canopy improvements and the Transit Center renovation. Capital funding sources utilized in FY 15-16 included a mix of Prop 1B (61%), Measure A (30%), and FTA Section 5339 (9%) funds.

Capital Acquisitions June 30, 2016 and 2015 (thousands of dollars)

<u>Asset Category</u>	<u>2015-16</u>	<u>2014-15</u>
Intelligent Transportation Systems	\$2,429	\$436
Revenue Vehicle Purchases	2,128	2,227
Operating Facilities	343	58
Revenue Vehicle Improvements	321	551
Passenger Facilities	124	48
Other Equipment	81	108
Total Liabilities & Net Position	<u>\$5,426</u>	<u>\$3,428</u>

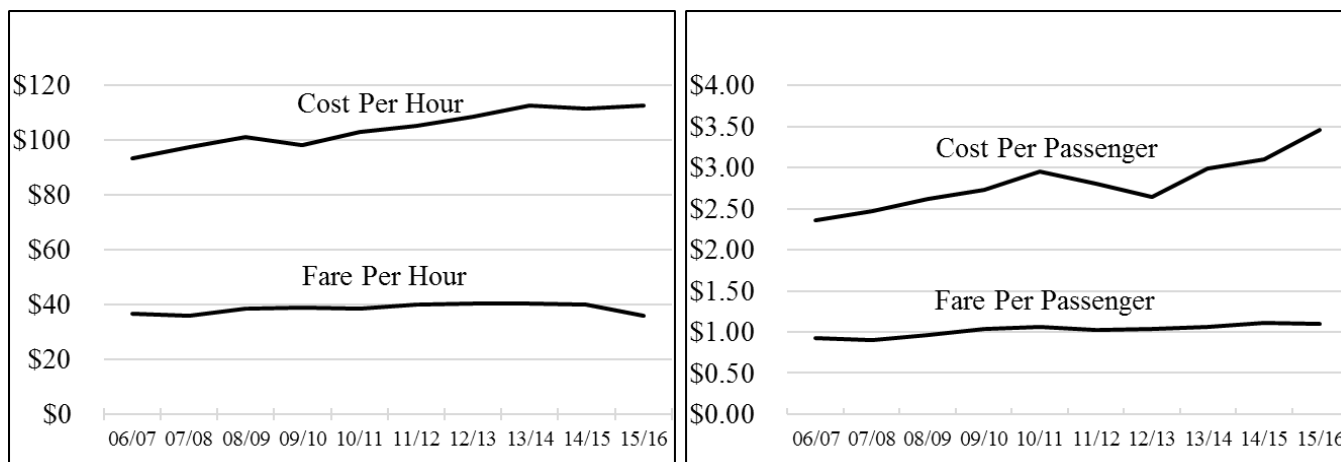
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2015-16

Financial Outlook

The financial outlook for FY 16-17 and beyond is mixed with the decline in fare revenue on the one hand and a number of positive capital revenue developments on the other. At the forefront of concern is the drop in fare revenue which has continued into the new fiscal year. The ridership trend is not a local phenomenon and is being felt statewide. Of particular consequence is whether this is a short-term aberration associated with lower fuel prices and other temporary conditions or a systemic change that may necessitate more fundamental fiscal adjustments. In FY 16-17, revenue hours are being increased by 4%, partly a result of new locally funded service, but also to improve service to help gain back riders. Some additional measures along these lines include automated bus stop announcements, the inclusion of air conditioning on all new buses, and the upcoming provision of real-time bus arrival information to passengers. Increased marketing and promotional efforts are also slated for FY 16-17. Nonetheless, the question still remains as to whether or to what extent there is an ongoing basic shift in transportation patterns that must be addressed by the District.

With general cost increases over time for wages, benefits, parts, services, etc., the District's operating expenditures have steadily risen while fare revenue has remained relatively level. The flat revenue stems from unchanged fare prices since 2009. One performance indicator showing this trend is the farebox ratio, which measures the percent of operating costs covered by fare revenue. In the 10 years running through FY 14-15, the farebox ratio fluctuated between 35% and 39%. In FY 15-16, the ratio decreased to 32% and is projected to fall below 30% in FY 16-17 as a result of the falling ridership. Other financial indicators exhibiting this pattern are the revenue and cost per passenger and per revenue hour. The following charts show these figures since FY 06-07.



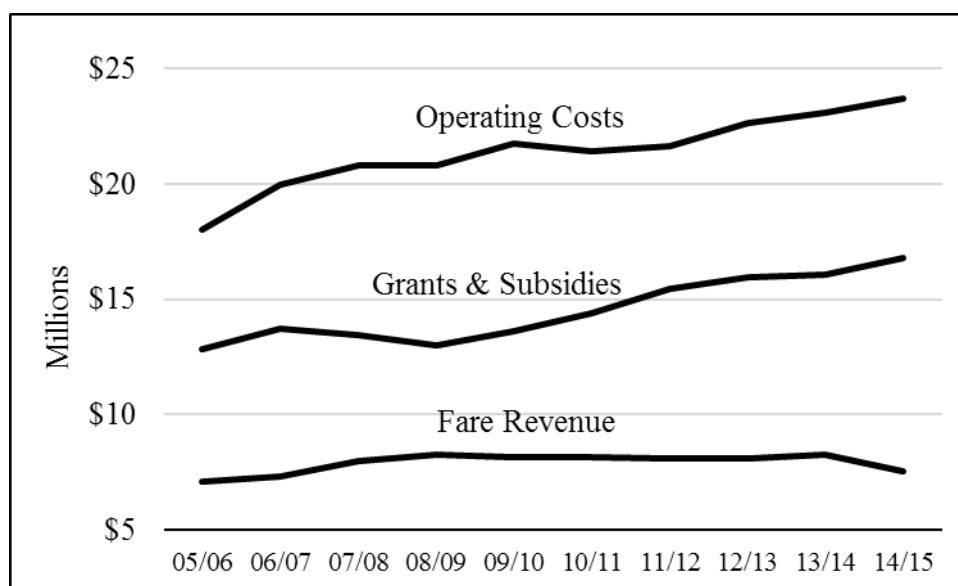
Given the eight years since the last fare increase, the widening gap between the cost and fare indicators is not unexpected. In the past, it is this growing differential between fare revenue and costs that has led to District fare increases. The other principle tool at hand for correcting the imbalance is a reduction in the service level. This method was utilized during the recession in FY 11-12 when LTF sales tax revenue experienced a steep fall over several years. At the direction of the Board Finance Committee, a fare increase analysis reviewing potential fare structure changes

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2015-16

and the projected effect on ridership and fare revenue is being prepared. What makes this option and the projection particularly challenging at this time is the falling ridership. Raising fares would definitely further dampen demand for transit service. The question is to what extent.

Mitigating the need for immediate action is that the District has been experiencing operating surpluses in recent years. The reason for this is that revenue from grants and subsidies has been rising sufficiently to cover the growing costs. The below chart illustrates this occurrence. As this is related to the economic recovery and temporary state and local operating subsidies, the situation cannot be counted on to continue in the long term. A case in point is the recent leveling out of LTF sales tax revenue. Nevertheless, the current strong financial condition of the District does mitigate the necessity of any precipitous decisions or changes for now giving further time for the ongoing ridership reduction to come into a new equilibrium.



Other various factors affecting the District's future financial condition are as follows:

- In FY 15-16, LTF sales tax revenue increased 0.7% and is forecasted to rise 1.2% in FY 16-17. The previous five years experienced 5% average annual growth which coincides with the period since the bottom of the last recession. The recent slower rate of increase is typical of a maturing economic expansion. Because LTF sales tax revenue provides such a large part of the District's operating revenue, it's level of change—as well as those of federal operating assistance and Measure A income—can significantly affect the ability to fund operations. Thus, all three are closely monitored.
- The five-year federal transportation bill, the Fixing America's Surface Transportation Act (FAST Act) took effect in FY 15-16. The FAST Act includes 1% to 2% increases in Section 5307 formula funding. The portion of such funds devoted to the Small Transit-Intensive Cities, which MTD typically qualifies for, is scheduled to increase by 10% in the last two years of the bill which could increase the District's overall FTA operating funds by 4% in those years. As the FAST Act funding is subject to the annual appropriations process, the actual level actually received could vary considerably.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2015-16

- A new collective bargaining agreement with the Teamsters was reached in July 2016 covering the three-year period from FY 16-17 through FY 18-19. It includes annual wage increases between 2% and 2.25% and health benefit growth of 6.3% each year.
- At this time the District's costs for retiree health benefits (OPEB) are funded on a pay-as-you-go basis. The current estimated liability for future OPEB outlays is \$3.1 million. In FY 16-17, the Board will be provided with a recommendation for establishing a trust to begin paying down the liability. Funding would be provided from the District's unrestricted net position.
- STA and Measure A capital funds allocated to the District are held by the Santa Barbara County Auditor-Controller until needed and are not included in the financial statements. As of June 30, 2016, there were accumulated STA funds of \$9.1 million and Measure A funds of \$690,000.
- In addition to the \$3.1 million in Prop 1B capital funds received in advance, the District will be receiving another \$330,000 in FY 16-17 for the AVL project. With the voter-approved bond program coming to an end, this is likely the last of such funds. A major source of District capital revenue since FY 08-09, newer sources including the Measure A and FTA Section 5339 capital programs will make up a large portion of the loss.
- In September 2016, the FTA announced the award of discretionary funding to the District of \$5.7 million for the replacement of the remaining 1998 Nova 40' buses. The award of the discretionary Section 5339(b) funds is a significant boost to the District's ongoing fiscal effort of modernizing its aging revenue vehicle fleet.
- The FTA recently approved a grant revision allowing usage of \$1.2 million in CMAQ funds for the purchase of the budgeted 30' electric shuttles. The funds had originally been authorized for 22' shuttles. While the District had been cautiously optimistic about the approval, it was not a certainty as the CMAQ funds date back to 2001. The District is preparing a similar grant revision request to move the remaining \$204,000 in Superstop funds from the same CMAQ grant towards the Transit Center Renovation.
- The 22' battery-electric shuttle fleet will be replaced in FY 16-17 with BYD 30' "shuttle-look" electric buses. Eight of the 14 replacements are included in the FY 16-17 capital budget at \$4 million (the actual cost will \$800,000 less). Given the need to replace all of the 15-year old shuttles, the District recently entered into an agreement with BYD to lease the remaining six vehicles. The capital lease includes an option to buy the buses after two years for \$362,000 per vehicle. Annual lease payments will be \$342,864, which are capitalized and do not affect operating costs.
- The Board of Directors recently approved the replacement of the District's electronic fareboxes for \$1.6 million. The project had been scheduled to take place over several years at a cost of \$2.5 million based on the assumption of replacing the fare collection infrastructure as well. As the new fareboxes can accommodate smart cards—and all currently available fare media—it has become an integral part of that project and previously awarded funding for the smart card project may be used toward the farebox system purchase as well. Overall, \$1.2 million will be saved in the combined project cost.
- A Board ad hoc committee continues to review its available options for the District's real property on Calle Real situated between the cities of Santa Barbara and Goleta.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

STATEMENTS OF NET POSITION

June 30, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and investments	\$ 18,018,176	\$ 15,132,316
Grants receivable	1,714,252	2,387,268
Other receivable	179,717	201,410
Materials and supplies inventories	1,273,875	1,176,654
Other current assets	<u>281,341</u>	<u>206,359</u>
Total Current Assets	<u>21,467,361</u>	<u>19,104,007</u>
NON-CURRENT ASSETS		
Cash restricted for capital support	3,412,805	6,202,649
Capital assets:		
Tangible transit operating property	69,720,314	66,464,635
Less: Accumulated depreciation	<u>(39,144,166)</u>	<u>(37,684,350)</u>
Capital Assets, net	<u>30,576,148</u>	<u>28,780,285</u>
Total Non-Current Assets	<u>33,988,953</u>	<u>34,982,934</u>
TOTAL ASSETS	<u><u>\$ 55,456,314</u></u>	<u><u>\$ 54,086,941</u></u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 546,366	\$ 388,016
Accrued payroll including compensated absences	922,264	763,959
Accrued expenses	<u>2,111,051</u>	<u>907,054</u>
Total Current Liabilities	<u>3,579,681</u>	<u>2,059,029</u>
NON-CURRENT LIABILITIES		
Compensated absences payable	806,689	712,540
Accrued damage, injury, and employee claims	3,175,476	3,146,821
Accrued other post employment benefits	<u>3,082,000</u>	<u>2,892,000</u>
Total Non-Current Liabilities	<u>7,064,165</u>	<u>6,751,361</u>
Total Liabilities	10,643,846	8,810,390
NET POSITION		
Invested in capital assets	30,576,148	28,780,285
Restricted	3,412,805	6,202,649
Unrestricted	<u>10,823,515</u>	<u>10,293,617</u>
TOTAL NET POSITION	<u>44,812,468</u>	<u>45,276,551</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 55,456,314</u></u>	<u><u>\$ 54,086,941</u></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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUE, NOT INCLUDING LOCAL AND FEDERAL ASSISTANCE		
Passenger fares	\$ 7,562,308	\$ 8,275,150
OPERATING EXPENSES		
Vehicle operations	14,347,432	13,510,763
Vehicle maintenance	4,959,457	5,492,877
Passenger facilities	1,521,887	1,502,498
General overhead	2,793,067	2,530,480
Postemployment health care benefits (Notes 15 - 16)	<u>250,597</u>	<u>216,712</u>
Total before Depreciation	23,872,440	23,253,330
Depreciation	<u>3,346,133</u>	<u>3,595,013</u>
Total Expenses	<u>27,218,573</u>	<u>26,848,343</u>
OPERATING LOSS	<u>(19,656,265)</u>	<u>(18,573,193)</u>
NON-OPERATING REVENUE		
Non-transportation revenue, including interest, advertising, rent and miscellaneous	853,501	781,640
Taxes levied by Santa Barbara County for Transit District	1,094,851	1,028,132
Transportation Development Act funding and allocations	7,375,456	8,934,299
Federal grants	5,483,636	4,940,726
Proposition 1B grants	236,179	3,358,483
Measure A grants	3,641,789	3,253,535
Miscellaneous grants	790,491	136,237
Loss on disposal of assets	<u>(283,721)</u>	<u>(1,386)</u>
Total Non-Operating Revenue	<u>19,192,182</u>	<u>22,431,666</u>
CHANGE IN NET POSITION	(464,083)	3,858,473
BEGINNING OF YEAR NET POSITION	<u>45,276,551</u>	<u>41,418,078</u>
END OF YEAR NET POSITION	<u>\$ 44,812,468</u>	<u>\$ 45,276,551</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
LABOR		
Operators' wages	\$ 6,657,725	\$ 6,499,198
Other salaries and wages	<u>3,931,677</u>	<u>3,770,128</u>
Total Labor	<u>10,589,402</u>	<u>10,269,326</u>
 FRINGE BENEFITS		
Payroll taxes	946,380	939,304
Retirement plans	1,304,279	1,343,545
Health and welfare (Notes 15 and 16)	2,872,435	2,658,167
Workers compensation	798,577	543,751
Sick pay	330,253	291,196
Holiday pay	389,694	382,724
Vacation pay	800,423	795,065
Other paid absences	104,550	95,688
Uniforms and tool allowances	<u>47,734</u>	<u>69,131</u>
Total Fringe Benefits	<u>7,594,325</u>	<u>7,118,571</u>
 SERVICES		
Professional and technical including directors' fees	419,118	394,989
Outside services	92,420	104,249
Contract maintenance services	473,622	495,587
Promotion and printing	<u>114,179</u>	<u>119,265</u>
Total Services	<u>1,099,339</u>	<u>1,114,090</u>
 MATERIALS AND SUPPLIES		
Fuels and lubricants	1,703,254	2,173,264
Tires and tubes	149,171	155,752
Bus parts	618,953	546,021
Other materials and supplies	219,336	195,383
Electric bus power	<u>77,482</u>	<u>79,001</u>
Total Material and Supplies	<u>2,768,196</u>	<u>3,149,421</u>
 UTILITIES AND TELEPHONE	<u>200,339</u>	<u>216,966</u>
CASUALTY AND LIABILITY COSTS	<u>591,898</u>	<u>565,471</u>
PURCHASED TRANSPORTATION	<u>825,511</u>	<u>629,064</u>
MISCELLANEOUS EXPENSES		
Dues and subscriptions	46,048	44,190
Travel, meetings and training	62,925	12,385
Purchased media	0	155
Other miscellaneous expenses	<u>94,457</u>	<u>133,691</u>
Total Miscellaneous Expenses	<u>203,430</u>	<u>190,421</u>
 Total Expenses before Depreciation	23,872,440	23,253,330
 DEPRECIATION	<u>3,346,133</u>	<u>3,595,013</u>
 TOTAL EXPENSES	<u>\$ 27,218,573</u>	<u>\$ 26,848,343</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATIONS		
Receipts from transit customers	7,572,283	\$ 8,268,737
Payments to suppliers and vendors	(4,603,102)	(5,855,945)
Payments to employees/benefits	<u>(17,716,287)</u>	<u>(17,177,606)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(14,747,106)</u>	<u>(14,764,814)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	16,509,453	12,606,351
Non-transportation revenue, including advertising, rental and miscellaneous	812,605	746,613
Taxes levied by Santa Barbara County	<u>1,094,851</u>	<u>1,028,132</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>18,416,909</u>	<u>14,381,096</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(5,427,033)	(3,445,619)
State of California Prop 1B grant advance	236,179	237,322
State of California Prop 1B PTMISA grant advance	-	3,156,590
State of California LCTOP grant advance	413,082	-
Federal, state and local capital grants received	<u>1,171,415</u>	<u>2,579,798</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,606,357)</u>	<u>2,528,091</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	<u>32,570</u>	<u>39,876</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>32,570</u>	<u>39,876</u>
NET INCREASE IN CASH AND EQUIVALENTS	96,016	2,184,249
CASH AND EQUIVALENTS		
BEGINNING OF YEAR	<u>21,334,965</u>	<u>19,150,716</u>
END OF YEAR	<u>\$ 21,430,981</u>	<u>\$ 21,334,965</u>
Cash and equivalents	\$ 18,018,176	\$ 15,132,316
Cash restricted for capital support	<u>3,412,805</u>	<u>6,202,649</u>
TOTAL CASH AND EQUIVALENTS	<u>\$ 21,430,981</u>	<u>\$ 21,334,965</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (19,656,265)	\$ (18,573,193)
Charges to cost of service not requiring current expenditure of cash:		
Depreciation	3,346,133	3,595,013
Loss on disposal of assets	283,721	1,386
Changes in:		
Other receivable - excluding grants	21,693	(31,637)
Materials and supplies inventories	(97,221)	(74,020)
Other current assets	(74,982)	81,014
Accounts payable and accrued expenses net of capital acquisitions	1,117,011	(28,856)
Compensated absences payable	94,149	(18,180)
Accrued damage, injury, and employee claims	28,655	134,659
Accrued other post employment benefits	<u>190,000</u>	<u>149,000</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (14,747,106)</u>	<u>\$ (14,764,814)</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 Administration (FTA) and the California State Controller's Office.

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 2016 and 2015 were \$5,425,714 and \$3,445,618, 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.

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 pool funds in structured notes and asset-back 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 and to change in interest rates. The reported value of the pool is the same as the fair value of the pool shares.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, are recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

- Level 1: Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date
- Level 2: Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date
- Level 3: Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date

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.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

The District accrues for vested vacation pay when it is earned by employees. The amount of vested vacation pay accrued as of June 30, 2016 and 2015 was \$883,772 and \$809,713, 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 2016 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 for 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.

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

During fiscal year ended June 30, 2015, the District implemented the following new GASB Pronouncement:

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.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year ended June 30, 2016, the District implemented the following new GASB Pronouncements:

GASB Statement No.72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements.

GASB Statement No.76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB.

Upcoming Government Accounting Standards Implementation:

GASB Statement No.74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plan Other than Pension Plans*, which addresses reporting by postemployment benefits other than pensions (OPEB) plans that administer benefits on behalf of governments. This statement basically parallels GASB Statement 67 and replaces GASB Statement 43. Application of this statement is effective for the District's fiscal year ending June 30, 2017.

GASB Statement No.75 – In Jun 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. Application of this statement is effective for the District's fiscal year ending June 30, 2018.

GASB Statement No.79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of the investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Application of this statement is effective for the District's fiscal year ending June 30, 2017.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB Statement No. 82 – In December 2015, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statement Nos. 67, 68 and 73*. This statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contributions is assessed and classified in the same manner as the employer classifies similar compensation other than pensions)for example, as salaries and wages or as fringe benefits). Application of this statement is effect for the District's fiscal year ending June 30, 2018.

Note 3 – CASH AND INVESTMENTS

Cash and investments are reported in the accompanying statements of net position as follows:

	<u>2016,</u>	<u>2015</u>
Cash and cash equivalents	\$18,018,176	\$15,132,316
Cash and cash equivalents restricted for capital support	3,412,805	6,202,649
Total cash and investments	\$21,430,981	\$21,334,965

Cash, cash equivalents, and investments (the District does not have a formal investment policy) consisted as follows on June 30, 2016 and 2015:

	Measure- ment Input	Fair <u>2016</u>	Value <u>2015</u>
Cash and cash equivalents			
Demand deposits	N/A	\$18,076,419	\$17,994,606
Local Agency Investment Fund (LAIF)	Level 2	3,354,562	3,340,359
Total cash, cash equivalents, and investments		\$21,430,981	\$21,334,965

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3 – CASH AND INVESTMENTS - continued

Demand Deposits

As of June 30, 2016, the carrying amount of demand deposits was \$18,076,419 and the bank balance was \$17,587,288 compared to \$17,994,606 and 18,086,815 at June 30, 2015, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in the District's name as discussed under Custodial Credit Risk.

Certain cash accounts are pooled and swept nightly to a concentration account.

Local Agency Investment Funds

The District is a voluntary participant 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 investments include the following:

- Structured Notes – Debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options. They are issued by corporations and by government-sponsored enterprises.
- Asset-Backed Securities – Entitle their purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's), small business loans or credit card receivables.

LAIF is overseen by the Local Investment Advisory Board, which consists of five members, in accordance with State statute. The fair value of the District's position in the pool is the same as the value of the pool shares.

As of June 30, 2016 the District had \$3,354,562 invested in LAIF, which had invested 2.81% of the pooled investment funds in structured notes and asset-backed securities compared to \$3,340,359 and 2.08% at June 30, 2015.

The financial statements for LAIF are available at <http://www.treasurer.ca.gov/pmia-laif/laif.asp>

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3 – CASH AND INVESTMENTS – continued

Custodial Credit Risk

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.

Restricted Uses of Cash

As of June 30, 2016, the District had \$3,101,402 of Prop 1B-PTMISEA cash restricted for use in acquiring replacement buses (\$1,122,919), Smart Card (\$991,650) and Transit Center projects (\$986,833). The District also had \$311,404 of Local Carbon Transit Program (LCTOP) cash restricted for Smart Card (\$121,403) and operating assistance for fiscal year end June 30, 2017 (\$190,001).

Note 4 – RECEIVABLES

Grants receivable at June 30, 2016 and 2015, are summarized as follows:

	<u>2016</u>	<u>2015</u>
Federal Transit Administration	\$ 79,918	\$ 1,664,484
State Transit Assistance Fund (SB 620)	-	182,468
Other grants	<u>1,634,334</u>	<u>540,316</u>
	<u>\$ 1,714,252</u>	<u>\$ 2,387,268</u>
Other receivables are as follows		
Trade receivables	<u>\$ 179,717</u>	<u>\$ 201,410</u>

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 5 – CAPITAL ASSETS

Changes in transit operating property during the years ended June 30, 2016 and 2015 are as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Reclassi fication</u>	<u>Disposals</u>	<u>End of Year</u>
<u>June 30, 2016</u>					
Capital assets not depreciated					
Land	\$ 5,596,296	\$ -	\$ -	\$ -	\$ 5,596,296
Work in process	1,104,192	2,874,006	(1,319)		3,976,879
Capital assets depreciated					
Buildings	12,929,560	43,678	-	-	12,973,238
Buses	42,253,858	2,424,929	-	(2,158,951)	42,519,836
Other equipment	4,580,729	84,420	-	(11,088)	4,654,061
	<u>\$ 66,464,635</u>	<u>\$ 5,427,033</u>	<u>\$ (1,319)</u>	<u>\$ (2,170,039)</u>	<u>\$ 69,720,310</u>
<u>June 30, 2015</u>					
Capital assets not depreciated					
Land	\$ 5,596,296	\$ -	\$ -	\$ -	\$ 5,596,296
Work in process	357,024	761,563	-	(14,395)	1,104,192
Capital assets depreciated					
Buildings	12,921,894	8,089	-	(424)	12,929,560
Buses	39,944,650	2,595,186	-	(285,978)	42,253,858
Other equipment	4,526,536	80,780	-	(26,586)	4,580,729
	<u>\$ 63,346,400</u>	<u>\$ 3,445,618</u>	<u>\$ -</u>	<u>\$ (327,383)</u>	<u>\$ 66,464,635</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 represents prefunding of Prop 1B and LCTOP grants from the State of California for capital acquisitions and operating assistance (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>2016</u>	<u>2015</u>
Federal grants	\$ 498,692	\$ 26,363
State grants (Prop 1B)	3,289,193	1,717,371
Local assistance – sales tax	1,634,334	1,664,693
Miscellaneous grants	<u>3,495</u>	<u>19,949</u>
Net grants received	<u>\$5,425,714</u>	<u>\$3,428,376</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>2016</u>	<u>2015</u>
Funding		
Local Transportation Fund (SB 325)	\$ 7,375,456	\$ 7,269,606
State Transit Assistance Fund (SB 620)	<u>-</u>	<u>1,664,693</u>
	<u>\$ 7,375,456</u>	<u>\$ 8,934,299</u>
Usage		
Operations	\$ 7,375,456	\$ 7,269,606
Capital projects	<u>-</u>	<u>1,664,693</u>
	<u>\$ 7,375,456</u>	<u>\$ 8,934,299</u>

Note 8 – FEDERAL GRANTS AND REIMBURSEMENTS

Federal grants and reimbursements for the year ended June 30:

	<u>2016</u>	<u>2015</u>
FTA		
Operating grants	\$ 4,984,944	\$ 4,914,363
Capital grants	<u>498,692</u>	<u>26,363</u>
Total	<u>\$ 5,483,636</u>	<u>\$ 4,940,726</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, 2016 and 2015, were \$838,772 and \$809,713 respectively. The current portion is expected to be used within one year. Accrued sick pay vested in fiscal years ending June 30, 2016 and 2015 were \$481,069 and \$384,064 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>2016</u>	<u>2015</u>
Beginning balance	\$ 809,713	\$ 783,250
Additions	701,257	729,642
Payments	<u>(672,198)</u>	<u>(703,179)</u>
Ending balance	838,772	809,713
Current portion	<u>435,716</u>	<u>408,996</u>
Noncurrent portion	<u>\$ 403,056</u>	<u>\$ 400,717</u>

Accrued sick pay is summarized as follows:

	<u>2016</u>	<u>2015</u>
Total accrued sick pay	\$1,464,328	\$1,469,194
Amount of sick pay not vested, in accordance with the union agreement and District policy	<u>(983,259)</u>	<u>(1,085,130)</u>
Total accrued sick pay vested and included in accrued payroll	<u>\$ 481,069</u>	<u>\$ 384,064</u>

Note 10 – RETIREMENT PLANS

Two employee groups are covered, with expenses as follows:

<u>Employee Group</u>	<u>Plan names</u>	<u>2016 Cost</u>	<u>2015 Cost</u>
1. Union	Teamsters Union	\$ 1,092,739	\$ 1,128,590
2. Non-Union	Profit-Sharing and Salary Deferral Plan	<u>211,540</u>	<u>214,956</u>
		<u>\$ 1,304,279</u>	<u>\$ 1,343,546</u>

TEAMSTERS PENSION PLAN

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

	<u>2016</u>	<u>2015</u>
Total union labor	\$10,616,607	\$10,284,152
Pensionable wages	\$9,507,170	\$9,390,181
Required work hour contribution (up to 173.33 hours per month)	\$3.29	\$3.24
Total pension hours	331,487	339,241
Accrued pension	\$90,331	\$89,052

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 2016 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 2016, 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 2016 the pension payable was \$90,331 since the payment for June 2016 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 2016 were based upon a payroll of \$2,115,399 for non-union employees. The District contributed \$211,540 (10% of covered payroll) and covered employees contributed \$265,550.

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.

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, 2002 to March 31, 2017 \$250,000

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

April 1, 1995 to March 31, 2001 \$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>2016</u>	<u>2015</u>
Claims liability – beginning of year	\$ 3,915,422	\$ 3,783,551
Claims and changes in estimates	768,939	489,355
Actual claim payments	<u>(697,219)</u>	<u>(357,484)</u>
Claims liability – end of year	<u>\$ 3,987,142</u>	<u>\$ 3,915,422</u>

Note 12 – COMMITMENTS

Paratransit Service – Easy Lift

For fiscal year 2017, the District has agreed to provide Easy Lift a subsidy of \$851,100 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, 2018. 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 April, 2016, 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 end June 30, 2016, the rates paid by the District for contractual amounts are as follows:

Gilligs	\$.043926
Gilligs	\$.057300
Novas/Gilligs	\$.060162
Novas – Articulated	\$.080216

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. The authorities under which benefit provisions are established or may be amended are the collective bargaining agreement for union employees and the District Board of Directors for non-union employees

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 2016 and related information are as follows:

	<u>2016</u>	<u>2015</u>
ARC	\$ 231,000	\$ 198,000
Interest on net OPEB obligation	145,000	137,000
Adjustment to ARC	<u>(125,000)</u>	<u>(118,000)</u>
Annual OPEB cost	251,000	217,000
Contributions made	<u>(61,000)</u>	<u>(68,000)</u>
Increase in net OPEB obligation	190,000	149,000
Net OPEB obligation beginning of year	<u>2,892,000</u>	<u>2,743,000</u>
Net OPEB obligation end of year	<u>\$ 3,082,000</u>	<u>\$2,892,000</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 OPEB <u>Cost</u>	Actual <u>Contribution</u>	% of OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
6/30/14	208,000	57,000	27.4%	2,743,000
6/30/15	217,000	68,000	31.3%	2,892,000
6/30/16	251,000	61,000	24.3%	3,082,000

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, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Actuarial accrued liability (a)	\$3,082,000	\$3,232,000
Actuarial value of plan assets (b)	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability (funding excess) (a)-(b)	<u>\$3,082,000</u>	<u>\$3,232,000</u>
Funded ratio (b) / (a)	0%	0%
Covered payroll (c)	\$13,294,729	\$12,557,429
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll [(a)-(b)]/(c)	23.2%	25.7%

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 all 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
2015-16	\$1,092,739
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

The factors that significantly affect trends in the amounts reported for the required contributions include a change in the size of the population covered by the benefit terms or changes in required contribution rates.

**SANTA BARBARA
METROPOLITAN TRANSIT DISTRICT**

COMPLIANCE REPORTS

JUNE 30, 2016

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

JUNE 30, 2016

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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, 2016, 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, 2016.

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 dark ink, reading "McGowan Guntermann". The signature is written in a cursive, flowing style.

December 9, 2016
Santa Barbara, California



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Independent Auditor's Report on State Compliance

Board of Directors

Santa Barbara Metropolitan Transit District

Report on Compliance with Transportation Development Act Requirements

We have audited the Santa Barbara Metropolitan Transit District's (the District) compliance with Transportation Development Act (TDA) requirements that funds allocated to and received by the District were expended in conformance with applicable statutes, rules, and regulations of the TDA and the allocation instructions and resolutions of the Santa Barbara County Association of Governments as required by Section 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations during the year ended June 30, 2016.

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, 2016.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of 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 (Proposition 1B). 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 (OHS). 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, 2016, 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, 2015	\$ 5,699,450	\$ 503,199	\$ 6,202,649
For the year ended June 30, 2016:			
Proceeds received	-	236,179	236,179
Interest earned	6,192	581	6,773
Expenditures	<u>(1,624,604)</u>	<u>(739,959)</u>	<u>(2,364,563)</u>
Unexpended proceeds – year end	<u>\$ 4,081,038</u>	<u>\$ -</u>	<u>\$ 4,081,038</u>

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of 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.

McGowan Guntermann

December 9, 2016
Santa Barbara, California



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Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control over
Compliance Required by the Uniform Guidance

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 Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District as of and for the year ended June 30, 2016, 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, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. 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.



December 9, 2016
Santa Barbara, California

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF TRANSPORTATION – Federal Transit Administration			
Operating Grant	20.507	CA-2016-003-00	\$ 4,981,529
Operating/Capital Grant	20.507	CA-90-Y035-02	2,910
Capital Grant	20.526	#644907	418,774
Capital Grant	20.507	CA-04-068-02	<u>77,008</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,480,221</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

Note 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards includes the Federal award activity of the District, under programs of the federal government for the year ended June 30, 2016, in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance*, wherein certain types of expenditures are not allowed or are limited as a reimbursement. The District has not elected to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

*Such expenditures are recognized following the cost principles contained in Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

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 Uniform Guidance? **No**

Identification of major programs:

CFDA Number

20.507

Name of Federal Program or Cluster

U.S. DEPARTMENT OF TRANSPORTATION - Federal Transit Administration

Dollar threshold used to distinguish between type A and type B programs: **\$750,000**

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, 2016

Section III—Federal Award Findings and Questioned Costs

NO FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

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



BOARD OF DIRECTORS REPORT

MEETING DATE: JANUARY 10, 2017 **AGENDA ITEM #:** 10

TYPE: ACTION

PREPARED BY: LILLY GOMEZ

Signature

REVIEWED BY: GENERAL MANAGER

GM Signature

SUBJECT: Annual Election of Officers

DISCUSSION:

The Board will hold elections for the following Board assignments:

Chair

Vice Chair

Secretary



BOARD OF DIRECTORS REPORT

MEETING DATE: JANUARY 10, 2017

AGENDA ITEM # 8

TYPE: ACTION

PREPARED BY: GENERAL MANAGER

Signature

REVIEWED BY: GENERAL MANAGER

GM Signature

SUBJECT: MTD Board of Directors – Standing Committee Assignments

RECOMMENDATIONS:

Staff recommends: 1) that the Board of Directors approve consolidation of its standing committees; and 2) that the Directors share their top two preferences for assignment with the Chair prior to the Board meeting of January 24th.

DISCUSSION:

For calendar year 2017, staff recommends that the Board consider consolidation of its Standing Committees as follows:

Proposed Standing Committee Consolidation

Director	Standing Committees			
	Finance & Human Resource	*External Affairs	Planning & Marketing	Fleet & Facilities
Rodriguez				
Davis				
Tabor				
Shelor				
Weinberg				
McQuary				
Perotte				

*That a member of the External Affairs Committee be assigned to the SBCAG South Coast Sub Regional Committee and Coastal Express Working Group on behalf of MTD.

Finance & Human Resource/Risk

This committee would likely deal with all administrative policy issues such as budget, fare structure, and risk matters, as assigned by the Board.

External Affairs

Board level issues that may arise related to federal, state and local policies and government relations would be appropriate for this committee. Staff recommends that one member of this committee be assigned as the District's representative to SBCAG's South Coast Sub Regional Committee and Coastal Express Working Group.

Planning & Marketing

Annual service planning and long-term policy issues, as well as the marketing of the District and its services, would typically be handled by this committee.

Fleet & Facilities

Policy-related issues pertaining to the District's fleet of revenue and non-revenue vehicles as well as real property and facilities could be assigned to this committee as needed. Additionally, most capital projects and technology advancements would likely be covered by this committee.

ATTACHMENT:

- Current committee list



2016 Board of Directors Committees

As of January 12, 2016

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
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BOARD OF DIRECTORS REPORT

MEETING DATE: JANUARY 10, 2017 **AGENDA ITEM #:** 12

TYPE: INFORMATIONAL

PREPARED BY: STEVE MAAS

Signature

REVIEWED BY: GENERAL MANAGER

GM Signature

SUBJECT: Final Draft TDA Triennial Performance Audit

RECOMMENDATION:

Staff will update the Board regarding the *Final Draft FY 2013-2015 Triennial Performance Audit of Santa Barbara Metropolitan Transit District* ("Draft Audit").

DISCUSSION:

The California Public Utilities Code (PUC) states that all transit operators that receive funding under Article 4 of the Transportation Development Act (TDA) are required to have a triennial performance audit. MTD is one such agency. The PUC requires that triennial performance audits provide an independent, objective and comprehensive review of the economy, efficiency, and effectiveness of transit operators, and of local planning agencies such as the Santa Barbara County Association of Governments (SBCAG). The major elements of performance audits of transit operators include:

- Review of compliance requirements.
- Review of prior audit recommendations.
- Review of transit operator functions,
- Review of performance indicators.

MTD's Draft Audit is attached. The "Findings" (pp. 42-43) are generally quite positive. The auditor found that MTD fully complied with all nine applicable TDA compliance requirements, and that MTD implemented the four prior audit recommendations. The auditor also found that MTD's performance indicators over the three-year period reflect a stable system. Another finding is that MTD was rated satisfactory (the best available outcome) in each of the California Highway Patrol audits conducted during the period, reflecting highly on MTD's Operations and Maintenance Departments. The findings also discuss the Planning Department's

detailed data collection and reporting, and note the completion and adoption by the Board of MTD's Strategic Plan and Short Range Transit Plan.

The Draft Audit also includes three "Recommendations" (pp. 44-45):

- Hold discussion with SBCAG regarding new rules for farebox recovery. (Statutory Requirement)
 - Recent changes to TDA legislation have changed MTD's farebox ratio requirement, and staff will work with SBCAG to ensure that the TDA claim forms properly reflect the changes.
- Continue efforts to locate and enhance program training, including for maintenance. (Auditor Suggestion)
 - The auditor recommends that MTD continue efforts to enhance training opportunities, particularly for mechanics.
- Fill key administrative positions. (Auditor Suggestion)
 - The auditor reference the marketing position and the procurement specialist position, both of which have now been filled. He also references a mechanic technician position versed in electric vehicles, advanced on-board technology, and related facility systems for consideration.

Staff provided comments to SBCAG and the auditor on the initial draft audit, and these comments have been incorporated into the Final Draft.

At the December 1 meeting, SBCAG's Technical Transportation Advisory Committee (TTAC) recommended that the SBCAG Board adopt the audits, and the Santa Barbara County Transit Advisory Committee (SBCTAC) made the same recommendation on December 14. SBCAG plans to bring the audits to the SBCAG Board for adoption on January 19.

ATTACHMENTS:

- Final Draft *FY 2013-2015 Triennial Performance Audit of Santa Barbara Metropolitan Transit District (SBMTD)*.



**FY 2013–2015
Triennial Performance Audit
of Santa Barbara Metropolitan
Transit District (SBMTD)**



Final Draft

**Submitted to
Santa Barbara County
Association of Governments**

December 2016



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Section I

Introduction

California's Transportation Development Act (TDA) requires that a triennial performance audit be conducted of public transit entities that receive TDA revenues. The performance audit serves to ensure accountability in the use of public transportation revenue.

The Santa Barbara County Association of Governments (SBCAG) engaged the Michael Baker International team to conduct a performance audit of the Santa Barbara Metropolitan Transit District (MTD, District) covering the most recent triennial period, fiscal years 2012-2013 through 2014-2015. The purpose of the performance audit is to evaluate MTD's effectiveness and efficiency in its use of TDA funds to provide public transit in its service area. This evaluation is required as a condition for continued receipt of these funds for public transportation purposes. In addition, the audit evaluates MTD's compliance with the conditions specified in the California Public Utilities Code (PUC). This task involves ascertaining whether MTD is meeting the PUC's reporting requirements. Moreover, the audit includes calculations of transit service performance indicators and a detailed review of MTD's transit administrative functions. From the analysis that has been undertaken, a set of recommendations has been made for the agency which is intended to improve the performance of transit operations.

In summary, this TDA audit affords the opportunity for an independent, constructive, and objective evaluation of the organization and its operations that otherwise might not be available. The methodology for the audit included in-person interviews with transit management, collection and review of agency documents, data analysis, and on-site observations. The *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, published by the California Department of Transportation (Caltrans), was used to guide in the development and conduct of the audit.

The performance audit of the complementary Americans with Disabilities Act (ADA) service provider, Easy Lift Transportation Inc., is provided under separate cover.

Overview of the Transit System

Background

The MTD was created in 1968, following passage of a ballot measure. Service officially started in November 1969. The legislative authority for the formation, organization, and powers of the MTD is found in the California Public Utilities Code (Sections 95000 through 97007) as the Santa Barbara Metropolitan Transit District Act of 1965. As cited in the act, MTD was established "in order to meet the public transit problem of the area . . . [and] . . . to develop a single transit system to protect the public interest and welfare."

The MTD service area covers approximately 52 square miles (as of June 2015) along the southern coast of Santa Barbara County, commonly referred to as the South Coast. The service area runs from the Ventura County border in the east to the western end of Goleta at Winchester Canyon. Communities served include the cities of Santa Barbara, Carpinteria, and Goleta, and the unincorporated communities of Isla Vista, Montecito, and Summerland. The University of California at Santa Barbara (UCSB), Santa Barbara City College (SBCC), and the Santa Barbara Municipal Airport are also included within the district.

The population of the South Coast is over 202,000 residents according to the 2010 Census, with an estimated 199,668 of these within MTD's district boundaries.¹ More than 60 percent of the service area residents live either in the City of Santa Barbara, or the City of Goleta. An MTD staff analysis of likely transit dependency shows that 14.0 percent of service area residents are aged 14 and under, 14.2 percent are seniors aged 65 and over, 9.1 percent are persons with disabilities, 15.2 percent live below the poverty level, and 43.6 percent of households have no vehicle or one vehicle available.²

System Characteristics

MTD provides fixed-route bus service and administers a contract through a Memorandum of Understanding (MOU) for demand response transportation.³ As part of the fixed-route service, MTD operates local shuttle service in select areas including in Santa Barbara (City College Shuttle, Downtown-Waterfront Shuttle, and Crosstown Shuttle), in Isla Vista (Isla Vista Shuttle), and in Carpinteria (Seaside Shuttle). MTD also provides express service along U.S. Highway 101 including the Goleta Express, SBCC/UCSB Express, Carpinteria Express, and UCSB Express. Booster Services to reduce passenger overloads for junior and senior high schools are also available. The school districts do not reimburse MTD for this booster service (i.e., tripper service), which is open to the public and utilizes existing MTD bus stops and routing. In addition, MTD does not operate charter service. During the audit period, MTD operated the Coastal Express Limited serving Ventura, Santa Barbara and Goleta. The service was discontinued in June 2015, with the Ventura County Transportation Commission VISTA Coastal Express expanded to provide this service.

Fixed-Route Service: Weekday fixed-route service generally operates between 5:40 a.m. to just past midnight. Saturday operating hours run from 6:00 a.m. to 11:30 p.m., and Sunday hours were from 6:45 a.m. to 10:15 p.m. MTD buses operate 363 days per year (every day except Thanksgiving and Christmas) with weekend service schedules in place for holidays. Service frequencies vary depending on the type and day of service provided. A summary of routes is presented in Appendix A.

¹ MTD Short Range Transit Plan: FY 2015 to FY 2019.

² Ibid.

³ The performance audit of ADA demand response is provided under separate cover for Easy Lift Transportation Inc.

Fares

MTD fares are structured according to passenger category and fare media. MTD accepts cash fares, tokens, 10-ride passes, and unlimited 30-day passes. In addition, UCSB and SBCC students receive unlimited ride passes. The price of these passes is included in the students' registration fee.

MTD has an agreement with the City of Santa Barbara to subsidize the Downtown-Waterfront Shuttle. With the State's elimination of Redevelopment Agencies, however, the financial support for the Downtown-Waterfront Shuttle service has been reduced. Effective July 2012, the one-way trip fare for both the Downtown-Waterfront Shuttle and the Seaside Shuttle in Carpinteria was increased to 50 cents, with a 25 cent fare for seniors and disabled passengers. The fare schedule is shown in Table I-1.

Table I-1
MTD Fare Schedule

Standard Fares	Fare
Regular one-way fare	\$1.75
Token for one-way fare	\$1.75
Youth (K–12 th grade)	\$1.75
Day Pass	\$6.00
Transfers to complete one-way trip	FREE
Seniors (Age 62+) and Persons with Disabilities or Medicare cards	\$0.85
Child under 45 inches tall (three children per adult)	FREE
UCSB/SBCC	Pre-paid through student fees
Downtown-Waterfront and Seaside Shuttle	
Regular one-way fare	\$0.50
Youth (K–12 th grade)	\$0.50
Seniors (Age 62+) and Persons with Disabilities or Medicare cards	\$0.25
Child under 45 inches tall (three children per adult)	FREE
Passes	
10-Ride Pass	
Adult	\$11.50
Youth (K–12 th grade)	\$8.25
Seniors (Age 62+) and Persons with Disabilities or Medicare cards	\$5.50
30-Day Pass	
Adult	\$52.00

Youth (K–12 th grade)	\$42.00
Seniors (Age 62+) and Persons with Disabilities or Medicare cards	\$20.00

Source: MTD Schedule Guide November 30, 2015

Fleet

MTD has 106 vehicles in its revenue fleet. All MTD-operated vehicles in the fleet have ramps/low floors and conform to ADA requirements. The average age of the fleet is 10 years. In 2015, MTD began operating articulated buses capable of seating 55 riders on heavily used routes. Table I-2 summarizes the vehicle fleet for all revenue services.

Table I-2
MTD Fleet Inventory

Make	Type	Year	Power	Length (feet)	Number in Fleet	Rider Seats	Age (years)
Nova	Urban Transit	2015	Diesel	60	3	55	1
Nova	Urban Transit	1998	Diesel	40	15	38	18
Nova	Urban Transit	2000	Diesel	40	2	38	16
Gillig	Urban Transit	2004	Diesel	40	15	37	12
Gillig	Urban Transit	2011	Diesel	40	7	37	5
Gillig	Urban Transit	2013	Diesel	40	13	37	3
Gillig	Urban Transit	2016	Diesel	40	5	37	0
Gillig	Urban Transit	2007	Hybrid	40	8	37	9
Gillig	Urban Transit	2011	Hybrid	40	7	37	5
Gillig	Local	2004	Diesel	29	11	26	12
Gillig	Local	2006	Diesel	29	3	26	10
Gillig	Local	2009	Hybrid	29	3	28	7
E-Bus	Shuttle	2000	Electric	22	4	18	16
E-Bus	Shuttle	2001	Electric	22	10	18	15
Total/Avg.					106	33	10.0

Source: MTD

Facilities

MTD carries out administrative, dispatch, operations, and maintenance functions at the Olive Street Terminal, located at 550 Olive Street, Santa Barbara. The facility was initially constructed in 2001 with the last phase completed in 2003 and includes a two-story 14,000-square-foot administrative office building, expanded maintenance area, and bus storage. The bus storage area accommodates three power generators to provide backup power. MTD owns the land and building.

The MTD Transit Center is located on a 15,700-square-foot property at 1020 Chapala Street, near the core of downtown Santa Barbara. A majority of bus routes serve the Transit Center to allow the convenient transfer of passengers between routes. MTD also owns the land and building.

MTD owns additional property in an unincorporated area along Calle Real between Santa Barbara and Goleta that was intended to be the primary operating location until the Olive Street site was expanded. Following a recent rezoning, the property is currently zone for residential development. Another smaller parcel owned by MTD is the Overpass property located in the City of Goleta. The buildings and land (a 65,000-square-foot parcel) are owned by MTD and were funded, in part, by the Federal Transit Administration (FTA) and formerly served as MTD's primary dispatch and bus storage location. MTD currently leases the property and generates operating revenue to offset operating expenses, as allowed by the FTA.

Section II

Operator Compliance Requirements

This section of the audit report contains the analysis of MTD's ability to comply with state requirements for continued receipt of TDA funds. The evaluation uses the guidebook, *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Agencies*, which was developed by Caltrans to assess transit operators. The guidebook contains a checklist of eleven measures taken from relevant sections of the Public Utilities Code and the California Code of Regulations. Each of these requirements is discussed in the table below, including a description of the system's efforts to comply with the requirements. In addition, the findings from the compliance review are described in the text following the table.

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
The transit operator submitted annual reports to the RTPA based upon the Uniform System of Accounts and Records established by the State Controller. Report is due 90 days after end of fiscal year (Sept. 28/29), or 110 days (Oct. 19/20) if filed electronically (Internet).	Public Utilities Code, Section 99243	Completion/submittal dates (Internet filing): FY 2013: October 18, 2013 FY 2014: October 17, 2014 FY 2015: October 20, 2015 Conclusion: Complied
The operator has submitted annual fiscal and compliance audits to the RTPA and to the State Controller within 180 days following the end of the fiscal year (Dec. 27), or has received the appropriate 90-day extension by the RTPA allowed by law.	Public Utilities Code, Section 99245	Completion/submittal dates: FY 2013: December 6, 2013 FY 2014: December 26, 2014 FY 2015: December 9, 2015 Conclusion: Complied
The CHP has, within the 13 months prior to each TDA claim submitted by an operator, certified the operator's compliance with Vehicle Code Section 1808.1	Public Utilities Code, Section 99251 B	MTD participates in the CHP Transit Operator Compliance Program in which the CHP has conducted inspections within the 13 months prior to each TDA claim.

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
following a CHP inspection of the operator's terminal.		<p>Inspection dates applicable to the audit period were:</p> <p>August 15, 2013; August 6, 2014; and August 27, 2015.</p> <p>Each CHP inspection was rated satisfactory. Minor findings were relating to a driver exceeding the number of hours allowed to drive, and inspection and maintenance records not including the signature of the mechanic performing the inspection.</p> <p>Conclusion: Complied</p>
The operator's claim for TDA funds is submitted in compliance with rules and regulations adopted by the RTPA for such claims.	Public Utilities Code, Section 99261	<p>As a condition of approval, MTD's annual claims for Local Transportation Funds are submitted in compliance with rules and regulations adopted by SBCAG. SBCAG staff provides assistance as needed in completing the claims.</p> <p>Conclusion: Complied</p>
If an operator serves urbanized and non-urbanized areas, it has maintained a ratio of fare revenues to operating costs at least equal to the ratio determined by the rules and regulations adopted by the RTPA.	Public Utilities Code, Section 99270.1	<p>MTD is subject to the fare revenue ratios under PUC Section 99268.2.</p> <p>Conclusion: Not Applicable</p>
The operator's operating budget has not increased by more than 15% over the preceding year, nor is there a substantial increase or decrease in the scope of operations or capital budget	Public Utilities Code, Section 99266	<p>Percentage increase in MTD's operating budget:</p> <p>FY 2013: +3.7%</p> <p>FY 2014: +5.8%</p> <p>FY 2015: +2.0%</p>

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
provisions for major new fixed facilities unless the operator has reasonably supported and substantiated the change(s).		Source: FY 2013–2015 SBMTD Adopted Budgets Conclusion: Complied
The operator's definitions of performance measures are consistent with Public Utilities Code Section 99247, including (a) operating cost, (b) operating cost per passenger, (c) operating cost per vehicle service hour, (d) passengers per vehicle service hour, (e) passengers per vehicle service mile, (f) total passengers, (g) transit vehicle, (h) vehicle service hours, (i) vehicle service miles, and (j) vehicle service hours per employee.	Public Utilities Code, Section 99247	MTD's definition of performance measures is consistent with Public Utilities Code, Section 99247. Conclusion: Complied
If the operator serves an urbanized area, it has maintained a ratio of fare revenues to operating costs at least equal to one-fifth (20 percent), unless it is in a county with a population of less than 500,000, in which case it must maintain a ratio of fare revenues to operating costs of at least equal to three-twentieths (15 percent), if so determined by the RTPA.	Public Utilities Code, Sections 99268.2, 99268.3, 99268.12, 99270.1	During the audit period, MTD was required to maintain a farebox recovery ratio of 30.27% and a fare and local support ratio of 34.33% (ratios from FY 1978–79). Although MTD was required to maintain the higher farebox recovery ratios, it is no longer required to do so due to passage of new state legislation (SB 508). The system's fare ratios using audited data are as follows: Farebox Recovery Ratio: FY 2013: 39.3% FY 2014: 35.6% FY 2015: 35.6%

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
		<p>Farebox Plus Local Support Ratio:</p> <p>FY 2013: 58.1% FY 2014: 52.7% FY 2015: 52.4%</p> <p>MTD local support revenues include local Measure A, property taxes, and non-transportation revenue including interest, advertising, rent and miscellaneous.</p> <p>Source: FY 2013–2015 Annual Financial Statements and Required Supplementary Information.</p> <p>Conclusion: Complied</p>
If the operator serves a rural area, it has maintained a ratio of fare revenues to operating costs at least equal to one-tenth (10 percent).	Public Utilities Code, Sections 99268.2, 99268.4, 99268.5	<p>MTD is subject to the fare revenue ratios under PUC Section 99268.2.</p> <p>Conclusion: Not Applicable</p>
The current cost of the operator's retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing a plan approved by the RTPA which will fully fund the retirement system within 40 years.	Public Utilities Code, Section 99271	<p>According to the annual MTD financial statements, there are two employee group retirement plans. The Teamsters Pension Plan covers union employees and is a "cost sharing" plan. On an annual basis, MTD is required to contribute a specific dollar amount per work hour, up to a maximum number of work hours per month. The Profit-Sharing and Salary Deferral Plan and Trust are retirement plans for employees not covered by the union plan. MTD contributes to the Profit-Sharing and Salary Deferral Plan an amount equal to 3% and 7%, respectively, of the compensation for all eligible participants.</p>

Table II-1 Operator Compliance Requirements Matrix		
Operator Compliance Requirements	Reference	Compliance Efforts
		Conclusion: Complied
If the operator receives state transit assistance funds, the operator makes full use of funds available to it under the Urban Mass Transportation Act of 1964 before TDA claims are granted.	California Code of Regulations, Section 6754(a)(3)	<p>As a recipient of State Transit Assistance Funds, MTD is making full use of federal funds available:</p> <p>FY 2013: Operating: \$4,854,006 Capital: \$1,005,301</p> <p>FY 2014: Operating: \$4,943,999 Capital: \$131,847</p> <p>FY 2015: Operating: \$4,914,363 Capital: \$46,312</p> <p>Source: Annual State Controller's Report</p> <p>Conclusion: Complied</p>

Findings and Observations from Operator Compliance Requirements Matrix

1. Of the compliance requirements pertaining to MTD, the agency fully complied with all nine requirements. Two additional compliance requirements did not apply to MTD (e.g., intermediate and rural farebox recovery ratios).
2. Based on the annual fiscal audits, MTD complied with the farebox recovery ratio and the fare plus local support ratio. The farebox ratio was relatively strong compared to the TDA threshold, averaging nearly 37 percent during the audit period compared to the minimum requirement of 30.27 percent. Similarly, the fare plus local support ratios surpassed the minimum requirement of 34.33 percent, averaging close to 55 percent over the past three years. MTD receives significant local support through various revenue sources including local Measure A, property taxes, contract fares from UCSB and SBCC, and non-transportation revenue including interest, advertising, rent and miscellaneous. Although MTD was required to maintain the higher farebox recovery ratios during the audit period, it is no longer required to do so due to passage of new state legislation (SB 508).
3. MTD participates in the CHP Transit Operator Compliance Program in which the CHP has conducted inspections within the 13 months prior to each TDA claim. The CHP inspection reports submitted for review were rated overall satisfactory. Minor findings were made in the 2014 inspection relating to a driver exceeding the number of hours allowed to drive, and inspection and maintenance records not including the signature of the mechanic performing the inspection. In 2015, the same inspection and maintenance record finding was made by the CHP along with a vehicle placed out of service for a mechanical issue.
4. The operating budget increased by an average of 3.8 percent annually. There were increases in wages and benefits from prior year estimates from CPI increases for all wage rates and additional funding for health insurance premiums. Fuel and electric bus power costs assumed higher fuel prices but were reduced by the end of the audit period.
5. MTD continues to utilize federal grant funding in addition to TDA revenues for operations and capital. Federal funding for operations was about \$4.9 million annually for the three-year period, while capital revenue varied widely from \$1,005,301 in FY 2013 to \$131,847 in FY 2014 to \$46,312 in FY 2015.

Section III

Prior Triennial Performance Recommendations

MTD's efforts to implement the recommendations made in the prior triennial audit are examined in this section of the report. For this purpose, each prior recommendation for the agency is described, followed by a discussion of the agency's efforts to implement the recommendation. Conclusions concerning the extent to which the recommendations have been adopted by the agency are then presented.

Prior Recommendation 1

Provide documentation of findings of TDA compliance in the annual MTD financial compliance audit.

Actions taken by MTD

The prior recommendation suggested that further effort be made to include the fiscal auditor's findings, calculations, and conclusions for each of the 14 compliance tasks in the compliance report as described in the California Code of Regulations Section 6667. A review of the Compliance Reports during the performance audit period determined that the compliance tasks were being properly addressed. At the end of each fiscal year, the fiscal auditor makes an opinion of MTD's compliance with the requirements applicable to this TDA section.

Conclusion

This recommendation has been implemented.

Prior Recommendation 2

Fulfill strategic goals by advancing technology investment.

Actions taken by MTD

The prior recommendation suggested that capital funding should be prioritized to ensure technology advancement is attained to support MTD's efforts to continually embrace the use of transit technology as a significant means of addressing efficiencies and local operating conditions created by changing economic and demographic dynamics. MTD is currently implementing an automatic vehicle location and real-time time of arrival system for all of its revenue vehicles. MTD will begin implementation of a Smartcard system in the near future. MTD has applied for grants to increase its fleet of electric revenue vehicles.

Conclusion

This recommendation has been implemented.

Prior Recommendation 3

Complete Short Range Transit Plan Update.

Actions taken by MTD

The prior recommendation suggested for MTD to complete the SRTP update that will provide guidance on near and mid-term policy, service, and financial matters. The MTD Board of Directors adopted an updated Short Range Transit Plan on March 17, 2015.

Conclusion

This recommendation has been implemented.

Prior Recommendation 4

Consider alternative bus operator training opportunities when feasible.

Actions taken by MTD

The prior recommendation suggested MTD consider additional methods of driver skills testing and development through participation in competitive events such as bus roadeos. MTD has actively searched with its sister agencies through the Transit Instructor's Network to participate in any available roadeo in the southern California area. To date, there had been no opportunities. Efforts will intensify with the presence of MTD's new Safety and Training Officer. Gold Coast Transit in western Ventura County plans to work with MTD in a joint effort to organize and host a mini-roadeo within the tri-county area.

Conclusion

This recommendation has been implemented by way of MTD efforts to search for available opportunities and partner with a local transit agency to develop a future roadeo.

Section IV

TDA Performance Indicators

This section reviews MTD's performance in providing transit service in an efficient and effective manner. TDA requires that at least five specific performance indicators be reported, which are contained in the following table. Farebox is not one of the five specific indicators, but is a requirement for continued TDA funding. Therefore, the farebox and fare plus local support calculations are also included. Findings from the analysis are contained in the section following the table and graphs. ADA service performance indicators are shown in the separate audit report for Easy Lift Transportation.

Operating Costs are defined as the annual cost of running a transit operation exclusive of depreciation, capital expenditures, vehicle lease costs, and direct costs of providing charter service. Operating cost data used for the performance indicators in the table are derived from annual audited MTD financial statements which report on its fixed-route services.

Passenger Counts are based on the total number of one-way unlinked passenger trips provided by MTD. Passenger counts were obtained from the National Transit Database. Passenger counts have been correctly counted with a passenger boarding being one unlinked one-way trip. Passenger boardings are registered through automated fareboxes, with bus operators required to punch specific code buttons on the farebox to track boardings and type of fare payment other than cash or passes. This data is downloaded to the PassDat system and included in monthly and quarterly performance reports.

Vehicle Service Hours are defined as the total annual hours that vehicles operate in revenue service. Travel time to and from storage facilities and other deadhead travel are excluded. Vehicle service hours were obtained from the National Transit Database.

Vehicle Service Miles are defined as the total annual miles that vehicles operate in revenue service. Travel distance to and from storage facilities and other deadhead travel are excluded. Vehicle service miles were also obtained from the National Transit Database.

Employee Hours data was obtained from the annual State Controller Transit Operator report. TDA requires that employees be reported in terms of full-time equivalents (FTEs). This figure is calculated by dividing total annual employee regular and overtime pay hours by 2,000. MTD uses payroll data to determine the number of employee pay hours and follows the correct procedure in dividing pay hours by 2,000.

Annual Fare Revenue data was obtained from the annual MTD audited financial statements. Fares include cash, pass and contracted revenue received for the transportation of passengers on MTD service. Local support revenue includes property taxes, Measure A funds, subsidies from local governments to support service, advertising, and interest income.

Table IV-1
MTD Fixed Route Performance Indicators

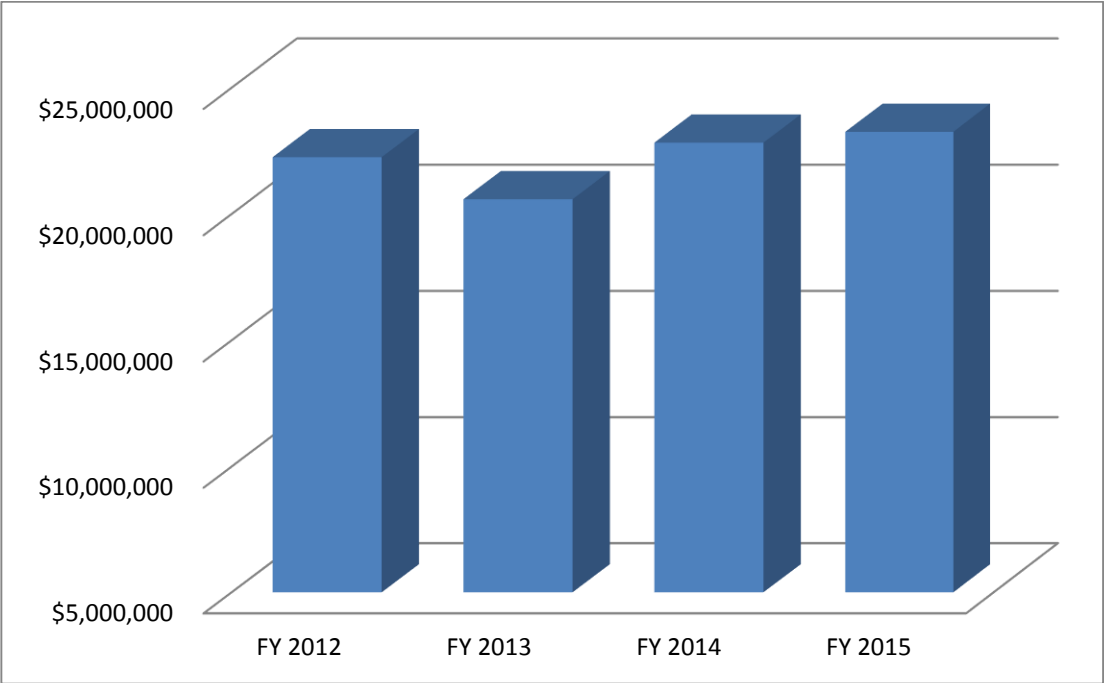
Performance Data and Indicators	FY 2012	Audit Period			% Change FY 2012- 2015
		FY 2013 ⁽¹⁾	FY 2014	FY 2015	
Operating Cost	\$22,248,845	\$20,584,609	\$22,825,241	\$23,253,330	4.5%
Total Passengers	7,931,414	7,774,329	7,623,845	7,487,113	-5.6%
Vehicle Service Hours	201,740	199,448	201,084	206,609	2.4%
Vehicle Service Miles	2,510,240	2,513,126	2,556,502	2,583,827	2.9%
Employee FTE's	191	190	193	194	1.4%
Passenger Fares	\$8,136,840	\$8,082,232	\$8,127,765	\$8,275,150	1.7%
Local Support Revenue	\$3,655,278	\$3,870,081	\$3,903,894	\$3,918,116	7.2%
Passenger Fares + Local Support Revenues	\$11,792,118	\$11,952,313	\$12,031,659	\$12,193,266	3.4%
Operating Cost per Passenger	\$2.81	\$2.65	\$2.99	\$3.11	10.7%
Operating Cost per Vehicle Service Hour	\$110.28	\$103.21	\$113.51	\$112.55	2.1%
Operating Cost per Vehicle Service Mile	\$8.86	\$8.19	\$8.93	\$9.00	1.5%
Passengers per Vehicle Service Hour	39.3	39.0	37.9	36.2	-7.8%
Passengers per Vehicle Service Mile	3.2	3.1	3.0	2.9	-8.3%
Vehicle Service Hours per Employee	1,054.6	1,049.7	1,041.9	1,065.0	1.0%
Average Fare per Passenger	\$1.03	\$1.04	\$1.07	\$1.11	7.7%
Fare Recovery Ratio	36.6%	39.3%	35.6%	35.6%	-2.7%
Fare Plus Local Support Ratio	53.0%	58.1%	52.7%	52.4%	-1.1%
Consumer Price Index (Los Angeles CSMA)	1.6%	1.4%	1.8%	0.8%	-50.0%

(1) The operating cost shown for FY 2013 reflects a one-time \$2,013,157 adjustment for MTD's Other Postemployment Benefits (OPEB). Without that adjustment, MTD's actual operating expenses for the year totaled \$22,597,766.

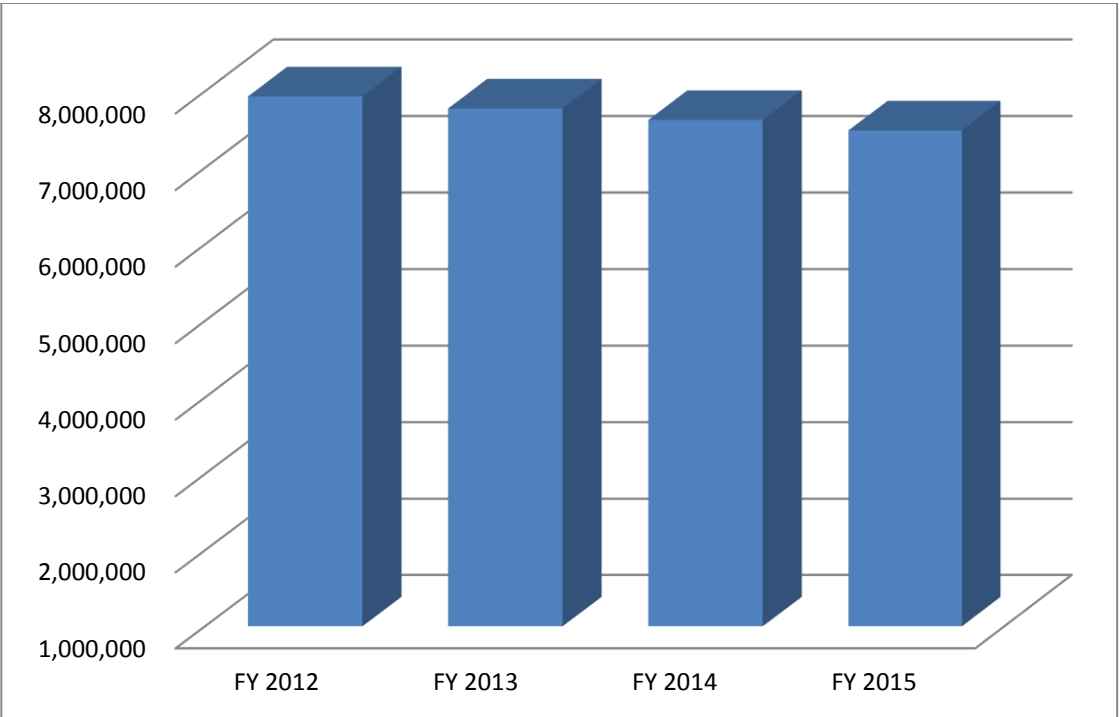
Sources: Audited financial statements for operating costs, fares and local support revenue; State Controller Report for unlinked passengers, vehicle service hours/miles, and employee FTEs.

Column graphs on the following pages are used to depict the trends for select performance indicators (Graphs IV-1 through IV-6).

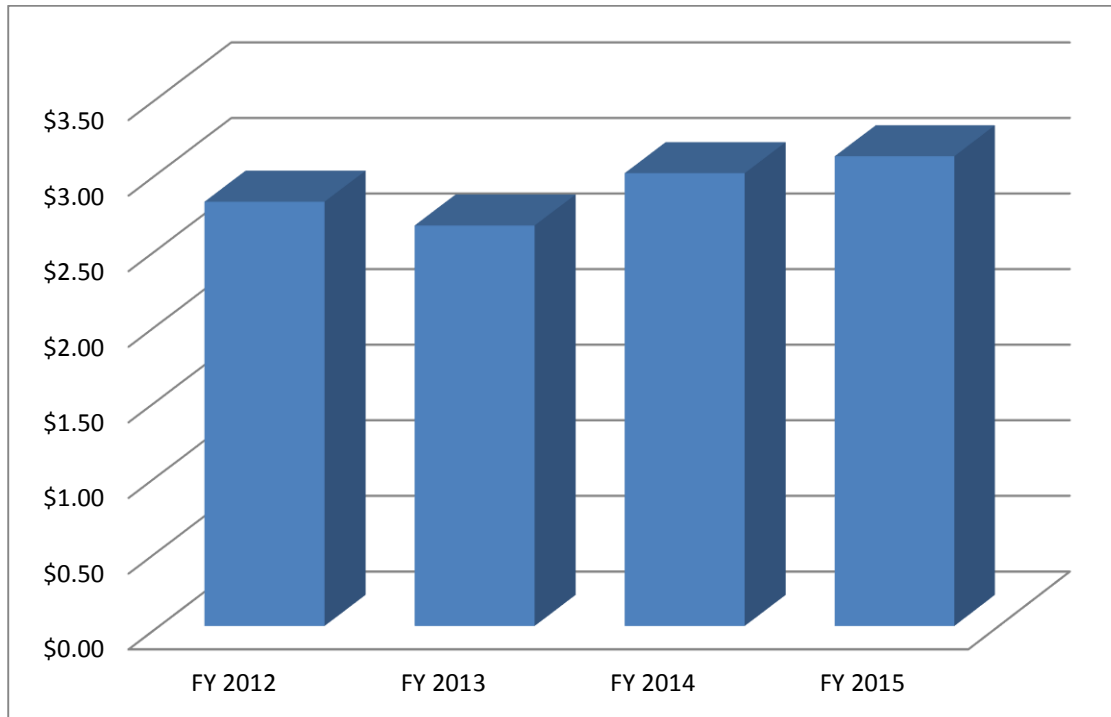
**Graph IV-1
Operating Costs**



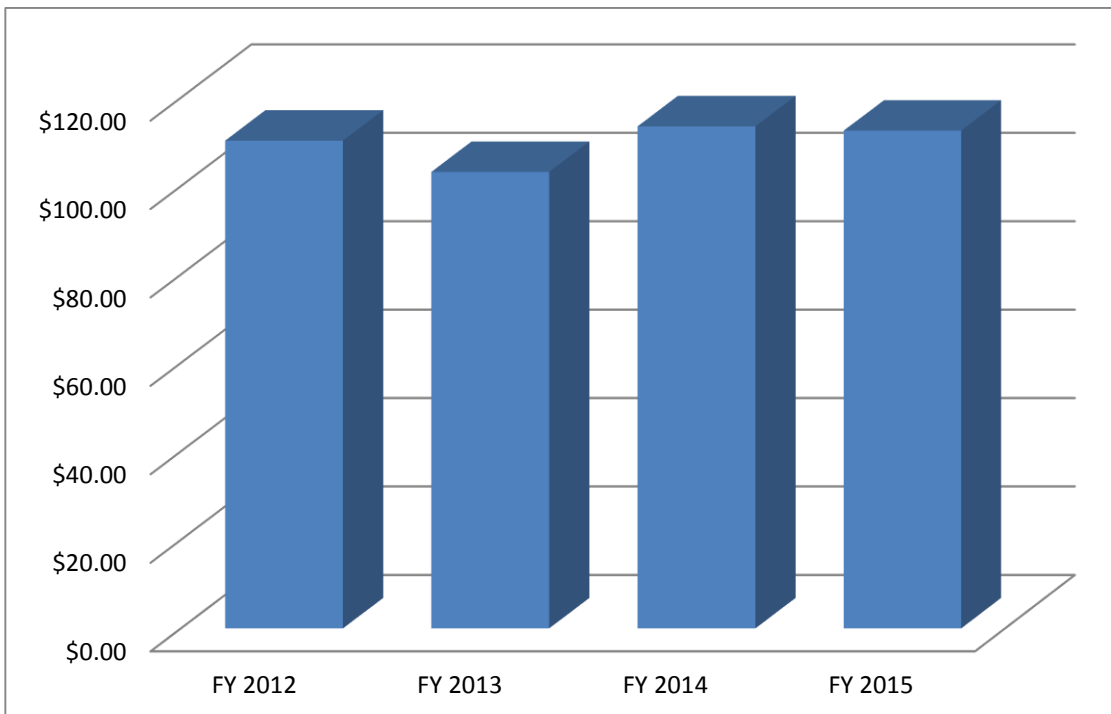
**Graph IV-2
Ridership**



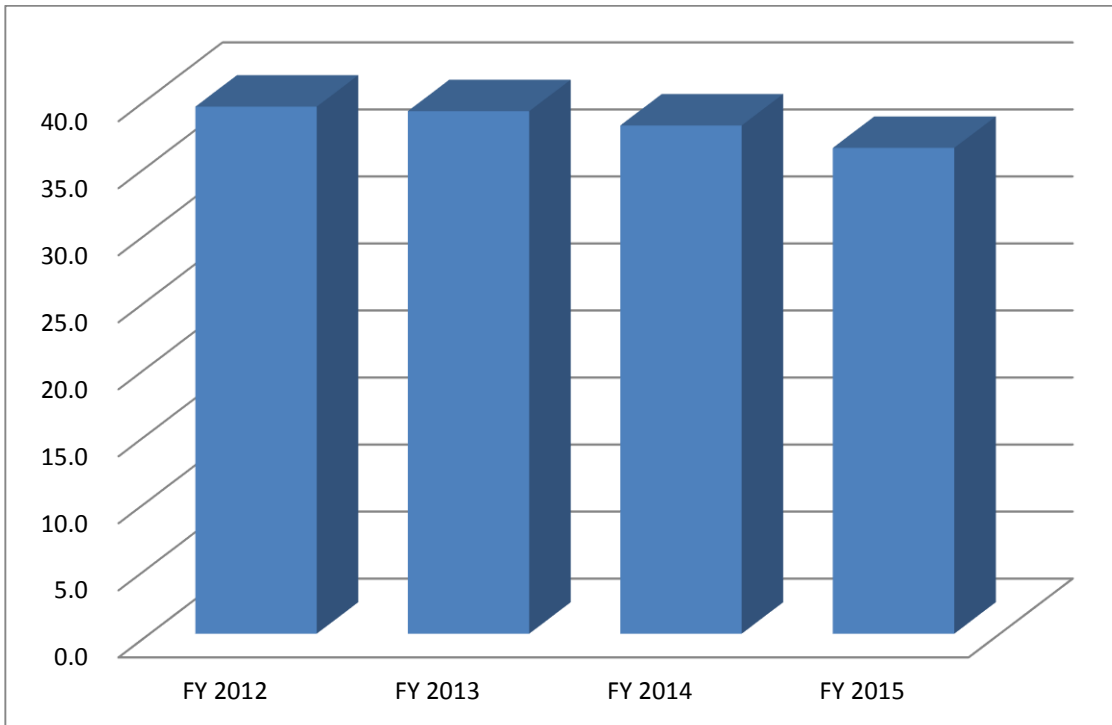
Graph IV-3
Operating Cost per Passenger



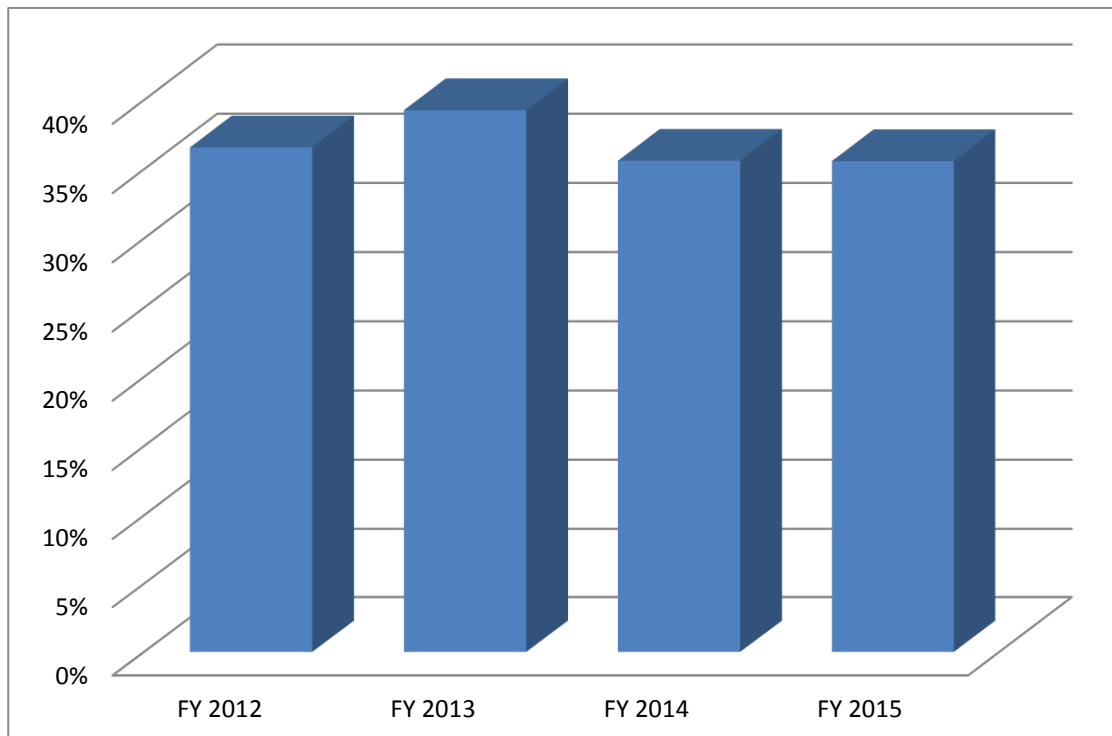
Graph IV-4
Operating Cost per Vehicle Service Hour



Graph IV-5
Passengers per Vehicle Service Hour



Graph IV-6
Fare Recovery Ratio



Findings from Verification of TDA Performance Indicators

1. **Operating cost per vehicle service hour**, an indicator of cost efficiency, increased 2.1 percent system-wide from \$110.28 in FY 2012 to \$112.55 in FY 2015. This trend is attributed to an increase in fixed-route operating costs of 4.5 percent during the period, while vehicle service hours increased 2.4 percent from 201,740 hours in FY 2012 to 206,609 hours in FY 2015. Given that both operating costs and service hours were relatively stable; this performance indicator shows MTD has been relatively cost efficient in relation to the level of service and available revenues.
2. **Operating cost per passenger**, an indicator of cost effectiveness, increased 10.7 percent system-wide from \$2.81 in FY 2012 to \$3.11 in FY 2015. As noted above, fixed-route operating costs increased 4.5 percent during the period while ridership system-wide decreased at a rate of 5.6 percent during the period from 7,931,414 passengers in FY 2012 to 7,487,113 passengers in FY 2015. The decreased ridership mirrors industry trends that correlate to the changes in gasoline prices and on-going difficult economic times.
3. **Passengers per vehicle service hour**, which measures the effectiveness of the service delivered, decreased 7.8 percent between FY 2012 and FY 2015 system-wide from 39.3 passengers per hour to 36.2 passengers per hour. The trend in this indicator reflects a decrease in ridership while vehicle service hours increased slightly 2.4 percent between FY 2012 and FY 2015.
4. **Passengers per vehicle service mile**, another indicator of service effectiveness, decreased 8.3 percent from 3.2 passengers per mile in FY 2012 to 2.9 in FY 2015. From the FY 2012 base year to FY 2015, total vehicle service miles increased 2.9 percent from 2,510,240 to 2,583,827 vehicle service miles while annual ridership decreased by 5.6 percent during the period.
5. **Vehicle service hours per employee** remained near constant with a 1.0 percent increase between FY 2012 and FY 2015. During the period vehicle service hours increased by 2.4 percent, while the number of employees increased by three FTE's from 191 in FY 2012 to 194 employees in FY 2015. This measure is based on the number of employee Full-Time Equivalents (FTE) using employee pay hours from the State Controller's Report and dividing by 2,000 hours per employee.
6. **Farebox recovery** exhibited a decline of 2.7 percent between FY 2012 and FY 2015. The farebox recovery ratio decreased slightly as the growth in operating costs rose at a slightly higher rate than farebox revenues. Contributions from local support revenues to supplement farebox revenue increased by 7.2 percent, keeping overall farebox recovery nearly constant during the reporting period. On an annual basis, a decrease in operating costs coupled with increased fare and local support revenue increased the farebox in FY 2013, then leveling off the other two years.

MTD has been able to maintain a consistent farebox in part by its agreements with UCSB and SBCC that provide for defined contributions to the farebox in lieu of students paying direct bus fares. The defined contributions are negotiated between MTD and each educational institution and are on a per student basis. The UCSB fee is tied to MTD's adult cash fare, but the SBCC fee is negotiated with SBCC. In addition, local support revenue are further enhanced by the annual agreement between MTD and UCSB for transit enhancement service on Lines 6 and 11. UCSB compensates MTD for more frequent service on these lines amounting to an additional 5,080 hours of service. These agreements have included small annual increases which continue to provide stable funding toward meeting farebox recovery. MTD also increased service levels with operating funding provided by UCSB to pay for additional service on the Lines 12x and 24x. Service also expanded, with financial assistance from UCSB, with the introduction of Line 28 in August 2016 (beyond audit period) serving UCSB North Hall to Camino Real Marketplace.

During the audit period, MTD received significant local support through various revenue sources including property taxes, direct local transportation sales tax, and advertising. Under its original enabling act in 1965, MTD was given the power to use local property tax to help fund its operations, which provides about \$1.0 million per year. Also, as a result of implementation of Measure A in 2010, MTD became a direct recipient of the sales tax revenue. Instead of the local jurisdictions passing the sales tax revenue to MTD, as was the case with prior Measure D, MTD receives the revenue directly. Thus, the agreements MTD had with several local jurisdictions for local subsidies are no longer needed including with the cities of Santa Barbara, Goleta, and Carpinteria. However, the Master Agreement for transportation management and transit services with the City of Santa Barbara remains intact for the Downtown-Waterfront Shuttle.

Conclusion from the Verification of TDA Performance Indicators

MTD's performance indicators reflect a relatively stable system in terms of operating costs, vehicle service hours and miles and farebox revenue during the reporting period. MTD's fiscal philosophy has been to grow the service within available funding. Apart from a reduction of ridership of 5.6 percent in the triennial period, MTD's performance indicators experienced only slight changes between FY 2012 and FY 2015.

MTD included a two percent cost-of-living increase to all wage rates and salaries for fiscal year 2013-14. Increases in wages and fringe benefit costs are consistent with the terms of the new collective bargaining agreement and follow a previous time when MTD froze employee wage rates and reduced service slightly to offset changes in other expenses such as diesel fuel prices. MTD locks into multi-year fuel contracts to save on fueling costs in-lieu of paying the spot rate and allow for price stabilization.

MTD has been subject to two farebox recovery ratios under TDA, one based on the ratio of passenger fares to operating costs, and another based on the ratio of fares plus local support to operating costs. Recent state legislation (SB 508) made significant modifications to the farebox recovery rules, one of which eliminates the requirement for two separate farebox ratios for older

operators, and instead have one method applicable for all operators that incorporates the ratio of fares plus local support to operating costs.

Data Consistency

In a review of data consistency among external reports, fiscal year-end performance data was compared between the annual State Controller Report, the annual Federal National Transit Database, and annual financial statements. Performance data reviewed include operating costs, fare revenue, ridership, vehicle revenue service hours, vehicle revenue service miles, employee full-time equivalents, and peak vehicles. Tables IV-2 and IV-3 show the side-by-side comparison during the audit period (FYs 2013, 2014, and 2015).

Table IV-2 provides the comparison of costs and fare revenues between data sources. There is data consistency among the data, particularly with fare revenue. Some minor differences are shown for operating costs with FY 2013 State Controller Report costs having the greatest deviation for the three year period. Different definitions and reporting requirements between the State and federal governments, as well as timing of submission of the reports, provide some cause for the small variance. Adjustments can also be made by MTD upon request by either the State and/or federal agencies between the original and final submissions. In addition, one report may require a summation of data while the other provides a breakout (e.g. commuter versus local fixed route services). MTD separates financial and operations data between commuter service and fixed route buses whereas the State Controller Reports do not require such separation. With the end of commuter service, there will no longer be a separation.

Table IV-2
Data Consistency Review
MTD Operating Cost and Fare Revenues

TDA Statistic	Source	Audit Review Period		
		FY 2013	FY 2014	FY 2015
Total Operating Expenses (less depreciation)	FTA National Transit Database	\$20,754,299	\$22,825,240	\$23,253,328
	State Controller Report	\$21,633,610	\$22,825,241	\$23,253,328
	Audited Financial Statements	\$20,584,609	\$22,825,234	\$23,253,330
Fare Revenues	FTA National Transit Database	\$8,082,232	\$8,127,765	\$8,275,150
	State Controller Report	\$8,082,233	\$8,127,765	\$8,275,150
	Audited Financial Statements	\$8,082,233	\$8,127,765	\$8,275,150

Table IV-3 shows the operational performance data between the State Controller Report and the National Transit Database. The data between these reports are consistent. The number of FTEs is rounded up to the next whole number for the State Controller's Annual Transit Operator Report.

Table IV-3
Data Consistency Review
MTD Operational Data

TDA Statistic	Source	Audit Review Period		
		FY 2013	FY 2014	FY 2015
Unlinked Passengers	FTA National Transit Database	7,774,329	7,623,845	7,487,113
	State Controller Report	7,774,329	7,623,845	7,487,113
Vehicle Service Hours	FTA National Transit Database	199,448	201,084	206,609
	State Controller Report	199,448	201,084	206,609
Vehicle Service Miles	FTA National Transit Database	2,513,126	2,556,502	2,583,827
	State Controller Report	2,513,126	2,556,502	2,583,827
Employee Full-Time Equivalents ⁽¹⁾	FTA National Transit Database	189.2	192.6	193.3
	State Controller Report	190.0	193.0	194.0
Peak Vehicles	FTA National Transit Database	87	87	91
	State Controller Report	87	87	91

(1) For purposes of the analysis, employees FTEs for both reports are dividing employee hours by 2,000 hours per year.

Section V

Review of Operator Functions

This section provides an in-depth review of various functions within MTD. The review highlights accomplishments, issues, and/or challenges that were determined during the audit period. The following departments and functions were reviewed at the transit agency and the operations facility:

- Operations
- Maintenance
- Planning
- Marketing
- General Administration and Management

Operations

MTD has held operations steady for the audit period as it faced adverse ridership implications from a number of conditions including lower gas prices, declining enrollment at Santa Barbara City College, and reduced ridership from SBCC. Ridership decline has been a concern to the District for several years. On the other hand, ridership for UCSB has increased. Other possible reasons for the decline include rising housing prices and the extremely tight rental market that may be prompting some lower- and middle-income people to move out of the District's area. Other contributing factors could be increased traffic congestion, which created schedule adherence issues and a perception of unreliability, and capacity constraints on lines serving the college campuses. In addition, state law (California Assembly Bill 60) was passed, which enabled undocumented immigrants to apply for a California driver's license starting in January 2015. These actions correlate to less demand for bus travel and reduced ridership.

Ridership does receive a boost from English language schools such as EF (English First) International Language Center Santa Barbara, which attract overseas students for short-term cultural education. These students are mostly housed with local residents or at rented rooms at UCSB, and many of them rely on the bus as their primary transportation. Student enrollment at EF can fluctuate between 700 and 1,500 students per term and are a captive transit market. General system growth that did take place reflects increases from the historic fall initiated by the Great Recession.

MTD and UCSB updated their agreements for services, including UCSB providing direct funding for expanded service on several routes including Lines 12x and 24x, and a new Line 38. FY 2015-16 was the last year UCSB provided funding for Lines 6 and 11. These expanded service hours are in addition to the university pass agreement for UCSB students to ride free, which is paid for by their school registration fee. The agreements are reviewed and updated annually. Also, in keeping with

serving students, MTD provides booster services (i.e. “tripper” service) to seven area schools to accommodate overloads between the schools and the rest of the service area.

Modifications to the routes during the audit period included the elimination of Line 22 (Old Mission) in August 2014 due to low performance. This line, which served from downtown Santa Barbara to the Old Mission, including stops at Orpet Park and Museum of Natural History, attained only 24,000 riders per year, the least of all the routes. MTD marketed a change to the weekday schedule for Line 22 in February 2013 with the hope to improve ridership, but which only had minimal effect. This route had been considered for elimination for a few years for its low performance.

Operations Workforce

MTD engaged in negotiations with the Teamsters Union for a new contract to replace the one that expired in June 2012. The issue surrounding implementation of the Public Employees’ Pension Reform Act of 2013 (PEPRA) on public transit employees complicated and prolonged negotiations between the District and International Brotherhood of Teamsters Union – Local 186 regarding a new collective bargaining agreement, which resulted in discussions that entered a second year. The District received a permanent exemption from PEPRA due to the fact that its retirement plan is a Taft-Hartley Trust Plan.

A new agreement, effective July 1, 2012, through June 30, 2016, was signed in March 2014 with the Teamsters Union covering drivers and maintenance employees. A separate agreement for supervisors was signed in April 2014 covering the same time period and with the same union. Base wages for drivers increase 1.5 percent each year of the three-year agreement. According to the organization chart dated May 2015, MTD’s operations workforce includes 147 full-time bus operators and 8 full-time supervisors. A proportion of drivers serve as extra board who fill in on a weekly basis as needed for drivers on sick or vacation leave. Operations staff indicated that the average experience level of coach operators is a little over 13 years, with a fair percentage having over 30 years’ experience with the agency. The manager and superintendent of operations have been stretched to conduct safety training of the drivers, due to a shortage of safety trainers.

Bus operators bid four times a year for bus runs and days off, and bids are based on operator seniority. Split shifts are available as well as straight shifts. The main trunk routes are generally popular with the drivers who can bid on routes near their homes. For example, the Seaside Shuttle is typically bid by drivers living in Ventura County. The vehicles and drivers for the Seaside Shuttle are staged at a small city-owned facility in Carpinteria located behind City Hall, and do not travel to or from the main Santa Barbara facility. The shuttle vehicles are maintained once a week by a mobile maintenance crew. The drivers are required to clean the vehicles.

Bus operator positions have experienced increased employee turnover. Bus operators leave MTD mainly for voluntary reasons, primarily for retirement, although there are some involuntary terminations. New hires are catching up to meet the needs of the agency, as the PEPRA issue prevented the District from hiring due to funding uncertainty. MTD management indicated that

the agency provides a good working environment with good benefits that help to maintain coach operators.

New bus operator hires receive a minimum six weeks of training and a six-month probationary period. This includes 15 hours of classroom training, and a minimum of 20 hours behind the wheel training. Prior transit experience is not a requirement for employment as a driver. Each bus operator is trained to operate all types of buses used in service by MTD. Refresher training is offered as needed to maintain Verification of Transit Training certification. Driver performance reviews are conducted once a year. MTD indicated that management staff will continue investigating opportunities for drivers to participate in bus competitions, such as transit rodeos where drivers compete against each other using their skills in precision driving.

The Operations Department provides various incentive programs for bus operator performance. Safety awards are given annually to operators based on their service performance. Also, MTD offers a Caught in the Act award for operators who are observed doing something positive and/or receive compliments. A certificate is placed in the employee's file and they are recognized among their peers.

As a means of listening to and receiving input from the coach operators, administrative staff hold round tables with drivers and union representatives to discuss service issues during each quarterly bid for driver assignments. Drivers are also encouraged to provide feedback to operations management, which is then submitted to the Planning Department as a possible basis for changes and adjustments to the service.

Operations Performance

Performance indicators for transportation operations were determined using NTD data. These indicators are shown in Table V-1.

Table V-1
MTD Transportation Performance Indicators

Base Data & Performance Indicators	Base Year FY 2012	Audit Review Period			% Change FY13-FY15
		FY 2013	FY 2014	FY 2015	
Cost for Operations	\$13,526,679	\$14,225,214	\$14,741,682	\$14,905,157	10.2%
Operator Salaries and Wages	\$6,154,811	\$6,031,418	\$6,326,225	\$6,499,198	5.6%
Cost of Fuel and Lubricants	\$1,911,984	\$2,251,016	\$2,169,464	\$2,121,991	11.0%
Operator Pay Hours	294,203	293,121	297,365	303,211	3.1%
Vehicle Service Hours (VSH)	201,740	199,448	201,084	206,609	2.4%
Vehicle Service Miles (VSM)	2,510,240	2,513,126	2,556,502	2,583,827	2.9%
Total Vehicle Hours	225,203	222,843	225,687	231,473	2.8%
Total Vehicle Miles	2,878,875	2,909,299	2,948,875	3,039,356	5.6%
Unlinked Passenger Trips	7,931,414	7,774,329	7,623,845	7,487,113	-5.6%
Passenger Miles	34,621,744	34,714,243	36,724,271	35,904,298	3.7%
Veh Ops Cost per VSH	\$67.05	\$71.32	\$73.31	\$72.14	7.6%

Base Data & Performance Indicators	Base Year FY 2012	Audit Review Period			% Change FY13-FY15
		FY 2013	FY 2014	FY 2015	
Veh Ops Cost per VSM	\$5.39	\$5.66	\$5.77	\$5.77	7.1%
Veh Ops Cost per Psgr Trip	\$1.71	\$1.83	\$1.93	\$1.99	16.7%
Veh Ops Cost per Psgr Mile	\$0.39	\$0.41	\$0.40	\$0.42	6.3%
Avg Wage per Operator Pay Hour	\$20.92	\$20.58	\$21.27	\$21.43	2.5%
Fuel & Lubricants Cost per VSM	\$0.76	\$0.90	\$0.85	\$0.82	7.8%
VSH per Operator Pay Hour	0.69	0.68	0.68	0.68	-0.6%
VSM per Operator Pay Hour	8.53	8.57	8.60	8.52	-0.1%
Service Miles per Service Hour	12.4	12.6	12.7	12.5	0.5%
Service Hours / Total Hours	89.6%	89.5%	89.1%	89.3%	-0.4%
Service Miles / Total Miles	87.2%	86.4%	86.7%	85.0%	-2.5%
Avg Psgr Miles per Psgr Trip	4.4	4.5	4.8	4.8	9.9%
% On-Time Trips	96.5%	99.9%	99.9%	99.9%	3.5%
Consumer Price Index (CPI-U)	1.6%	1.4%	1.8%	0.8%	-50.0%

Source: National Transit Database Reports for FY 2013-2015

Transportation operations costs increased over the past three years by 10.2 percent. Costs were driven in large part by operator salaries and wages (and benefits) as well as fuel costs. Salaries and wages increased 5.6 percent while fuel costs increased 11.0 percent over the three-year period. MTD's fixed-rate agreements have resulted in cost savings over spot fuel prices and have made fueling costs more predictable. The new collective bargaining agreement implements annual wage increases of 2 percent after a few years of wage scale freezes.

Performance metrics using these data show that transportation cost per revenue service hour increased 7.6 percent for the audit period, while cost per revenue mile increased by a similar 7.1 percent. The growth rates from these performance measures are the result of growth in costs and smaller increases in service. Fuel and lubricant costs per revenue mile also increased 7.8 percent due to similar trends of increased cost coupled with some increase in service miles. Revenue hours and miles as a proportion of total hours and miles remained relatively constant at about 89 and 86 percent, respectively, implying a roughly 10 percent deadhead service. On-time performance improved to almost 100 percent as all scheduled bus runs are out of the gate with minimal late starts by the drivers.

MTD indicated that worker's compensation and liability claims were reduced for the audit period. Quarterly MTD statistics showed worker's compensation claims with lost time decreasing from 2 to 0, and back to 2. There were no vehicle operations liability costs reported to the National Transit Database. This is favorable as it relates to the quality of risk assessment and management and operational safety resulting in liability and worker's compensation cost reductions. MTD carries a reserve fund for claims.

Table V-2 reflects the trends in complaints and compliments submitted by passengers and recorded by MTD over the past three years. MTD categorizes complaints into four areas: passenger relations, driving observations, schedule/policy, and missed passengers. A sampling of

quarterly reports shows each area receiving a share of recorded complaints, some more than others for that particular quarter.

The standard for complaints is no more than 1 complaint per 10,000 boardings. The table shows that MTD has exceeded the standard by having 1 complaint per 27,000 to 32,000 boardings. The trend is also positive for compliments, where the number of compliments increased relative to the number of boardings. The ratio of complaints to compliments was roughly 6 to 1, which is not a surprise given that human nature is to more formally communicate complaints than compliments about a service.

MTD uses a complaint and compliment procedure file that outlines the steps for the intake and handling of a complaint or compliment. Customer service staff in the Operations Department consider each complaint for possible civil rights relevance and forward the complaint or compliment to the appropriate MTD personnel, listed in a matrix based on the type of complaint. The matrix makes it clear as to which staff member each complaint is forwarded to. A response to the customer is required unless the customer does not want to be contacted. All complaints, compliments, and responses are documented and filed, then reported in the quarterly reports. MTD staff research complaints and identify bus operators through the use of Trapeze scheduling software and communication with supervisors. If required, corrective action is taken, which may include retraining. Similarly, preventable accidents and incidents are addressed through retraining.

Table V-2
MTD Complaints and Compliments

Performance Data and Indicators	FY2012	FY2013	FY2014	FY2015	% Change
Total Passengers	7,931,414	7,774,329	7,623,845	7,487,113	-5.6%
Complaints	239	252	239	279	16.7%
Compliments	44	37	34	62	40.9%
Number of Boardings per Complaint	33,186	30,851	31,899	26,836	-19.1%
Number of Boardings per Compliment	180,259	210,117	224,231	120,760	-33.0%

Source: MTD Quarterly Reports

MTD employs the GFI Odyssey Validating Farebox, which provides 15 validation points for fares, fare media, and transfers. The GFI fareboxes are probed for the data. Drivers are trained to press the appropriate button on the farebox to record the type of ride and fare. Upon the return of the bus to the operations facility, the cash box is removed by a service technician and placed into a large locked vault on the fueling island. Only MTD accounting staff have the key to remove the cash box once placed in the vault. MTD Finance and the independent fiscal auditor reconcile passenger counts with the general ledger for fare revenues and have come within 4 percent variance.

On-time performance is tracked by customer service representatives at the transit center. The data is collected and sent to the Planning Department for use in service analysis and planning. MTD's standard for on-time performance is departing a stop no later than 5 minutes after the

scheduled departure time. On-time performance is reported in a fiscal year summary section of the quarterly report. MTD has met its goal of 95 percent on-time, achieving 99.9 percent in each of the audit fiscal years.

MTD implements a mobile on-time performance system (MOPS) that enhances the on-time recording process. The mobile devices are installed on selected buses and are linked to Trapeze software, enabling the real-time location of buses and helping to identify where slower speeds occur due to congestion or construction. For passenger overloads at bus stops which slow the vehicle, a road supervisor is called. Some buses also possess a transponder that provides traffic signal priority as the bus enters an intersection along high traffic corridors. A green light is held at intersections for the bus on a stretch of road on State Street. MTD will implement technology such as automatic vehicle location, automated passenger counters, on-board cameras, and annunciators to improve performance, the on-time performance collection process, and more precise tracking of the vehicles, which will result in improved customer service.

Maintenance

MTD maintains a revenue fleet of 106 buses, consisting of 74 diesel buses, 18 hybrid diesel buses, and 14 electric-powered vehicles. The newest vehicles during the audit period are the large 60-foot articulated buses, with several more 40-foot buses delivered after the audit period. About 60 percent of the diesel fleet is over 10 years old, with the remaining diesel vehicles being fairly new. The electric trolley vehicles for the shuttle services are over 15 years old; MTD has budgeted capital funds for replacement of 8 shuttles.

The agency employs 32 maintenance-related employees, including 13 full-time mechanics and 13 utility and service staff. There are a total of seven bus maintenance bays, including one flexible bay that is used for any type of vehicle. The tight configuration of the maintenance facility was assessed and physical modifications made to increase capacity, especially to make room to service and house the three large articulated buses that stretch an additional 20 feet farther than the typical MTD bus. The new articulated buses are maintained under a new bus canopy installed at the bus yard. Capacity increases were made by removing old donated electric shuttles and unused batteries.

A fleet maintenance plan was developed to guide maintenance activities. MTD has in place a preventive maintenance schedules for oil changes, depending on the bus engine model. For example, the engines in the Gillig buses follow the 3,000-mile maintenance “A” schedule and follow the general preventive maintenance inspection schedules rated A through D at every 6,000 miles. Maintenance staff also conduct oil sampling in-house when the procedure is more cost effective than outsourcing.

Most maintenance work is performed in house by MTD staff. Work hours are staggered to coincide with bus pullouts in the morning and returns throughout the day. Vehicle inspections are scheduled every two weeks, with maintenance staff using Fleet Anywhere software to schedule inspections and preventive maintenance based on vehicle mileage. The Fleet Anywhere software

is synched with the fueling report. Maintenance staff seeks to keep preventive maintenance activities on schedule and to identify road call issues that are found to be repetitive.

The new maintenance manager uses key performance indicators to assess road calls and mechanical failures. Miles between road calls is an example of a key indicator that is reviewed weekly. Given the current variety of bus vehicles, the manager is taking a view of standardizing the fleet for maintenance and training to create efficiencies and improve maintenance performance. Training is a priority for the department; however, there are limited local resources available for bus mechanic training, in particular for specialized vehicles like the electric vehicles. Some training for bus mechanics is provided on-site by staff from the bus manufacturers. The agency has on-site a particulate trap thermal regenerator that enables the in-house cleaning of the bus particulate traps. Minor body damage on buses is repaired by MTD maintenance staff, with some assistance from local body and paint shops. Large jobs such as transmission overhauls and long block maintenance are outsourced. Maintenance staff also has forklift certification.

In response to the spikes in diesel fuel prices, MTD locks in diesel fuel prices through fixed-price agreements. The District's favorable fixed-price (\$2.57 per gallon) diesel fuel contract had expired in May 2012. In June 2012, the District entered into a new six-month fixed-price (\$3.37 per gallon) contract to avoid volatility during the summer months with the hope that prices would decrease in the fall. In December 2012, a new one-year fixed-price (\$3.27 per gallon) diesel fuel contract with monthly options over a two-year period was implemented. The District locked in a fixed-price per gallon of \$3.06 for the first six months of fiscal year 2014-15. The District and the contractor had the option to mutually agree to extend the contract monthly through November 2015.

MTD has a tire lease agreement with Goodyear Tire & Rubber Company to furnish the agency with a sufficient quantity of tires to keep all vehicles fully equipped and to provide a reserve supply. MTD provides Goodyear with mileage for each vehicle in its fleet on a monthly basis and is billed in accordance with its agreement. The rates per tire increase by an agreed-upon percentage annually, generally about 3 percent per year. Different rates apply for each type of bus with the Gillig vehicles having the lowest rate and the Group D Novas the highest rate.

For many years, the MTD Board of Directors and the Santa Barbara community have supported the transit agency's efforts as a testing ground for electric vehicles. This is evidenced by the continued use of the open-aired, electric trolley vehicles for shuttle services. The now-retired maintenance manager spearheaded initiatives to test electric vehicles and batteries for many years. MTD remains on the forefront of clean fuel technology by operating electric and hybrid vehicles.

MTD maintains vehicle parts inventory on hand, including large cost items such as diesel engines, electric vehicle transmissions, and electric battery packs. A rebuilt transmission of each engine type is kept at the parts storage area. The goal is to keep a one-week supply of commonly used inventory items at any given time, such as oil filters. Through efficient management of parts by the Maintenance Department, including regular cycle counts, overall cost of inventory has declined. Competitive bids also help to save the agency money. Some parts are stripped from old buses as a cost-saving measure or are purchased through asset swaps.

MTD uses serial barcode technology along with the Fleet Anywhere and pcAnyware software to inventory and track parts and print out reports. The inventory is completed by the accounting manager, assisted by the materials manager, and consists of one full count plus two cycle counts each year. The full inventory count is conducted over a weekend, generally each May, while the other two spot counts are conducted in February and October.

Security cameras have been installed around the maintenance and bus storage areas. A security camera has been placed overhead in the middle of the parts room to capture activity including entrance and exits. Other cameras help to protect the agency's stock in the yard and movement of the vehicles.

Maintenance Performance

Performance indicators for maintenance were determined using NTD. These indicators are shown in Table V-3.

Table V-3
MTD Maintenance Performance Indicators

Base Data & Performance Indicators	Base Year FY 2012	Audit Review Period			% Change FY13-FY15
		FY 2013	FY 2014	FY 2015	
Cost for Vehicle Maintenance	\$3,952,181	\$3,292,678	\$3,665,687	\$3,672,595	-7.1%
Maintenance Pay Hours	58,853	51,442	52,719	50,035	-15.0%
Total Vehicle Hours	225,203	222,843	225,687	231,473	2.8%
Total Vehicle Miles	2,878,875	2,909,299	2,948,875	3,039,356	5.6%
Active Vehicles	103	107	109	112	8.7%
Peak Vehicles	83	87	87	91	9.6%
Total Vehicle Failures	762	534	484	575	-24.5%
Maintenance Cost per Veh Hour	\$17.55	\$14.78	\$16.24	\$15.87	-9.6%
Maintenance Cost per Veh Mile	\$1.37	\$1.13	\$1.24	\$1.21	-12.0%
Maintenance Cost per Active Veh	\$38,371	\$30,773	\$33,630	\$32,791	-14.5%
Veh Hours per Maint Pay Hour	3.83	4.33	4.28	4.63	20.9%
Veh Miles per Maint Pay Hour	48.92	56.55	55.94	60.74	24.2%
Veh Hours per Active Vehicle	2,186	2,083	2,071	2,067	-5.5%
Veh Miles per Active Vehicle	27,950	27,190	27,054	27,137	-2.9%
Veh Miles Between Failures	3,778	5,448	6,093	5,286	39.9%
Spare Ratio	24.1%	23.0%	25.3%	23.1%	-4.2%
Consumer Price Index (CPI-U)	1.6%	1.4%	1.8%	0.8%	-50.0%

Source: National Transit Database Reports for FY 2013-2015

Maintenance costs have been declining during the audit period relative to the base year FY 2012. When paired with the relative stability in vehicle revenue hours, maintenance cost per hour

declined by close to 10 percent over the past three years. Likewise, maintenance cost per revenue mile decreased, both indications of positive trends. Maintenance costs per active vehicle also decreased although the number of active vehicles increased.

The number of vehicle breakdowns was reduced during the audit period, resulting in a more positive trend in the ratio of vehicle miles between failures compared to the base year. As shown in the table, vehicle miles between all mechanical failures for the fleet were 5,448 miles in FY 2013, 6,093 miles in FY 2014, and 5,286 miles in FY 2015. The MTD goal is a minimum of 8,000 miles between breakdowns. MTD separates this performance indicator between all mechanical failures and major mechanical failures (defined by NTD). Miles between major failures for the three years ranged between 6,800 and 8,300 miles.

Electric vehicles were one of the main causes of the trends in vehicle breakdowns compared to hybrid and diesel buses. As shown in the MTD quarterly reports, miles between failures for the electric vehicles remained low over the past three years, going from 735 miles in FY 2013, to 1,060 miles in FY 2014, and to 860 miles in FY 2015. MTD calculates the performance indicator with and without electric vehicles in the quarterly report to demonstrate the difference. When the electric vehicles are subtracted, the mileage between failures increases, which is shown in a breakdown of the different vehicle types. Replacement of vehicles including new diesel buses should improve the performance measure.

Planning

Planning functions are generally shared between two departments, Planning and Government Relations & Compliance. With the unfortunate passing of the manager of Transit Development and Community Relations in October 2012, a split of functions occurred between planning and marketing. During this transition, the Manager of Government Relations & Compliance assisted the planning department with several planning-related functions including the analysis and development of the *Quarterly Report*, *Route Analysis*, and *Ridership & Performance* reports. Data analysis and production of these documents have transitioned back to the Planning Department and the planning manager.

MTD updated its Short Range Transit Plan (SRTP) in March 2015, ten years after the last update in 2005. More pressing priorities inhibited the plan's earlier completion, including transitions of staff work roles and responsibilities, and agency-wide efforts to combat the effects of the economic recession. The update includes an assessment of the strengths and weaknesses of the existing service, and a forecast of future service and financial needs. The SRTP includes an assessment of the performance of existing services, including ridership levels and productivity, and recommendations for service improvement.

The document identifies shortcomings of the current service, due primarily to a lack of sufficient funding to fulfill all transit needs. Increased traffic congestion and demand requires MTD to provide unscheduled booster service to reduce overloads and accommodate passenger needs on trunk lines such as Line 2 in Santa Barbara and Lines 6 and 11 on the State/Hollister corridor, as well as lines serving students, such as Line 15x from Isla Vista to SBCC and Line 27 from Isla Vista

to UCSB. This unscheduled booster service requires the addition of piecemeal service to existing driver runs, causing driver overtime costs and increasing unproductive deadhead travel time. Further, in compliance with Title VI of the 1964 Civil Rights Act, as well as Environmental Justice regulations, which provides equal access to the benefits of federally funded programs, MTD may serve some areas due to the transit dependency of the residents even though the service does not meet the minimum thresholds otherwise set for MTD transit service. Examples of MTD routes that provide lifeline service include: Line 3, serving Santa Barbara Cottage Hospital and several other medical service providers; Line 9, serving Old Town Goleta and Goleta Cottage Hospital; and Line 36, connecting Carpinteria neighborhoods north of Highway 101 to downtown.

Planning functions on a more day-to-day basis are conducted by the Planning Department, such as route analysis and service changes, scheduling, communications, and bus stop maintenance. On/off travel surveys, input gathered at bus stops, and regular communications with drivers influenced service changes that took effect after the audit period. A work plan developed by Planning a year in advance guides the issues and work scope for planning-related activities and monitoring of service productivity. A subcommittee of the District Board reviews proposed service adjustments.

MTD produces a series of detailed statistical reports that provide snapshots of route performance. Data is collected through different means, including probes of the GFI fareboxes and analysis by staff. Performance measures such as ridership and related information are compared to historical data such as past month, the same month from prior years, and year to date. Ridership trends are highlighted by fare category and by route. These reports also provide trends for key indicators including passengers per revenue hour, passengers per revenue mile, revenue miles between breakdowns, and farebox recovery. Monthly data feeds into quarterly and annual statistics.

Unique to the MTD data collection effort are statistics presented in the System Ridership Report on routes where passengers were refused service because of too-full buses, also known as “too full to board” loads. A similar statistic is the “at capacity” loads, which identify the routes that have vehicles at maximum seating capacity, including standees on board the vehicles. Drivers are trained to punch a specific code in the farebox under each of these conditions. With decreased ridership during the audit period, the total number of bus trips reported as “at capacity” or “too full to board” declined. Other data include the number of wheelchairs boarded, bicycles carried, ridership by day, external factors affecting ridership, and passengers per hour. As the information is presented on a route-by-route basis, staff indicated that work is being conducted to better pinpoint more precise locations of passenger overloads along a route. Road supervisors are dispatched to locations to confirm driver information and the data collected.

Bus surveys by MTD staff are conducted each quarter to assess the need for service adjustments. The agency will hire an outside vendor to conduct more focused surveys on particular routes when necessary. Ridecheck data of boardings and alightings at bus stops are recorded along with other pertinent service quality information.

Service Planning Criteria and Evaluation

MTD establishes policies for service planning and service evaluation. The service planning criteria and evaluation process includes guidelines for planning new services and evaluating the effectiveness of new and existing services on an ongoing basis. Further, it provides the MTD Board with information needed to establish priorities in the allocation of District resources. The guidelines provide specifics and the protocol on the planning for services, promotion, and evaluation. For example, headways are based on passenger demand and budgetary considerations, while new routes provide the minimum frequencies depending on the service type (trunk and local versus regional and express).

The routes are evaluated against productivity guidelines in the document. Routes are evaluated on both ridership (passengers per hour or per trip, depending on the class of service) and on an economic measure (MTD subsidy per passenger). Trunk and local routes are grouped together for the evaluation, while express and regional services are grouped together, separate from trunk and local service due to the different service characteristics between the two groups.

Bus stop development criteria are also in place to guide the location and type of bus stop to install. Factors such as level of demand at the bus stop, and whether the location involves a developer project, make up some of the criteria and specifications. Solar stops are becoming another specification for a bus stop.

Performance Reporting

Following each fiscal year, MTD staff prepares annual reports to facilitate the evaluation of the performance of each route operated by the agency. These reports include the *Route Analysis* and *Ridership and Performance Report*, which provide a variety of operating characteristics and performance indicators for each route operated by the MTD during the fiscal year, and include data from the previous fiscal year for comparison. These two reports, along with comments received throughout the year from residents and employees, on-time performance checks, and reviews of upcoming developments, form the basis for the development of recommendations from the staff to the MTD Board for route and schedule changes to improve service and increase productivity.

The reports highlight changes to the service for the past three years which have included the following:

- FY 2012-13: 2.0 percent service reduction. Hours were reduced on Lines 3, 9, 36, & 37. Lines 6, 11, 23, & 25 were restructured. The Commuter Lot Shuttle was eliminated. Shuttle fares were increased.
- FY 2013-14: 1.0 percent service increase. Hours were added on Lines 6 & 11, 12x, 15x, 24x and Downtown Waterfront Express. Hours on Lines 23 & 25 were reduced.
- FY 2014-15:

- An additional bus was deployed on Lines 1 & 2 on weekday mornings giving all drivers more time to complete their trips. The public schedule was not changed. On weekends, a bus was added to Lines 1 & 2 to improve headways from 25 minutes to about 20 minutes.
- Line 15x was rerouted out of interior Isla Vista to save time and maintain headways, and buses that used to be on layovers were put into service in the evenings. New articulated buses were deployed on Line 15x.
- An additional bus on Line 16 in the afternoons reduced headways from 30 minutes to 20 minutes, adding needed capacity.
- Weekday evening schedules on Lines 23, 25, and 36 (Seaside Shuttle) were adjusted to give them more time for each trip.
- An additional bus on Line 37 (Crosstown Shuttle) at peak commute times reduced headways and gave the drivers more time to complete each trip.
- Line 3 was extended on weekdays to serve the new Sansum Clinic on Foothill Road, Line 22 was eliminated, and the Coastal Express Limited ceased operation.
- In total, the service changes resulted in a net 2.7 percent increase in revenue hours.

AVL & ITS Management (AIM) System

In July 2014, MTD provided revised specifications for an AVL & ITS Management (AIM) System. The specifications were for the procurement of a number of intelligent transportation systems which are collectively referred to as the AIM System, or AIM. The AIM system is being implemented to aid MTD in fulfilling its mission and is designed to be an efficient, effective, reliable, flexible, and expandable bus fleet management system that meets the needs of the MTD bus operators, supervisors, management, and public ridership. In an era of rapid technology advances and increasing interoperability requirements, AIM is designed to allow it to be easily maintained, upgraded, and expanded.

MTD entered into an 18-month contract with Clever Devices to provide MTD with a turnkey AIM System, which includes five primary ITS systems:

1. Automatic Vehicle Location
2. Time of Arrival Information
3. Route & Schedule Adherence
4. Onboard Video Surveillance
5. Yard Wireless System

In addition to the above mandatory systems, the following additional systems or functions are considered as options to the core AIM System:

- Bus Stop Announcement
- Vehicle Health Monitoring

- Automatic Passenger Counter
- Yard Location/Assignment

MTD buses already have on-board cameras, and various features of the AIM System such as bus stop annunciators will make the vehicles more customer friendly while other on-board technology provides safety and security and data collection for route evaluation and planning.

Transit Talk

MTD executive management supports outreach with the community and other agencies in the planning of services. MTD holds, at a minimum, an annual Transit Talk at its administrative offices to discuss service, finance, and customer service issues, among other topics that feed into the following year's work plan. While SBCAG/MTD are not required to hold unmet transit needs workshops in the South Coast, the public meeting serves as additional outreach that is considered a part of the unmet needs process. Transit Talk is held generally in the spring in locations around the service area such as Goleta and Santa Barbara, and focuses primarily on proposed schedule and service changes that go into effect later that year. Special issues for public education were also part of Transit Talk. For example, in July 2013, an emergency meeting was held to discuss possible reductions in service due to the impact of PEPRA.

Marketing

Marketing and customer service responsibilities were under the Customer and Public Outreach Administrator. Flyers, rider newsletters, press releases, and partnerships/campaigns are developed as necessary. Examples of many of these materials were provided for review. Notifications of service changes due to special events and other short-term occurrences are developed and posted on board buses and at the Transit Center. Face-to-face interaction remains a good method of marketing. With limited budgets for MTD advertisements, efforts are made to conduct outreach to underserved areas and provide language interpretation to these communities. Presentation materials on MTD bus routes are presented to the Hispanic community at key locations like the La Casa de la Raza in Santa Barbara, and at senior centers for those seniors living alone. Other community gatherings for in-person communications include the Braille Institute, summer camp for disabled children, bicycle camps on how to safely load a bike onto the bus, and elementary school outreach program to teach children the etiquettes of taking the bus. Booths are set up at UCSB and SBCC when each college commences.

Upon request, MTD will conduct travel training and send a bus with a staff member and a driver to demonstrate how to ride the bus and allow participants to practice boarding and paying their fare. Marketing staff also participate in health day for low-income residents, senior health day at the YMCA, Earth Day, Bike To/From Work Day, Safety Town, large employer benefit fairs, and many other local events throughout the year. MTD will offer attendees a business card and two free ride tickets. Staff has indicated a greater desire to reach out to the ADA community for mobility management and will coordinate with Easy Lift Transportation.

Other duties of the customer and public outreach administrator include intake of customer comments. Complaints and compliments are recorded on a spreadsheet and forwarded to the appropriate MTD departments to address. The general manager reviews a summary of comments in the quarterly report. The marketing function also includes management of outside advertising on the buses and serving as the main point of contact through the MTD website (<http://www.sbmtd.gov/>), which interacts with customers through various tools. The MTD website is live with an interactive trip planning feature powered by Google Transit that attracts users to the site. A route look-up menu with easy access to downloadable schedules is also available on the home page next to the trip planner. Marketing also sends email blasts and maintains a presence on Facebook and Twitter to develop a following for MTD services and alerts. Twitter is used for communicating messages and Facebook provides driver photos and topical subjects for conversation.

Each August, the MTD schedule guide is updated to reflect service changes and is printed for mass circulation. The guide is also available on the MTD website. The color guide provides maps of each route, timetables and holiday service, and a system-wide map to show the connectivity between the routes. Additional information includes fare prices, transit center and bus information, ADA service, and advertisement for other transit and modal services such as the Clean Air Express, Gold Coast Transit, Santa Barbara Airbus, Traffic Solutions, Easy Lift, VISTA Coastal Express, and Amtrak Pacific Surfliner. The guide is printed in both English and Spanish and is available as a downloadable PDF document to enable riders to print out the pages they need. Select advertisements are also contained in the schedule guide.

MTD develops an annual *Report to the Community*, which highlights some of the agency's accomplishments and outreach efforts for the past fiscal year. The report is designed with high level graphics to serve as a marketing piece in addition to providing information to the community. Reports dated December 2014 and January 2016 included letters from the general manager, and brief descriptions of MTD's service enhancements, performance and funding, procurement of articulated buses, other current projects, and strategic planning effort.

General Administration and Management

MTD is guided by its enabling legislation that created the District. Public Utilities Code Section 95400 was modified in 2008 which increased the Board of Directors from five to seven members. Two are appointed by the Board of Supervisors, two are appointed by the City of Santa Barbara, one is appointed by the City of Carpinteria, and one is appointed by the City of Goleta. The six directors appoint the seventh director as an at-large member.

MTD staff serve as a voting member on several SBCAG advisory committees including the Santa Barbara County Transit Advisory Council and the Technical Transportation Advisory Committee. An MTD Board member serves on the South Coast Subregional Planning Committee.

Mission and Goals

The mission of MTD is “to enhance the personal mobility of South Coast residents and visitors by offering safe, clean, reliable, courteous, accessible, and cost-effective transit service throughout the district.” MTD’s Board of Directors, working with staff, completed a new five-year strategic plan (FY 2016-2021) that was adopted on December 15, 2015. Six values were developed through the strategic plan process to fulfill the mission statement and meet the needs of the public:

1. Well-Run & Respected
2. Professional Employees
3. Responsible With Public Funds
4. Pleasant Customer Experience
5. Technical Expertise
6. Community & Local Agency Support

Eight strategic priorities were identified with four being top priorities (marked with asterisks):

1. On-Time Performance*
2. Facility Improvements*
3. Long-Term Service Planning*
4. Customer Satisfaction*
5. Balance Fare Structure
6. Financial Stability
7. Workforce Recruitment
8. Future Fuel Path

MTD’s Board of Directors and staff identified strategic actions that are reexamined annually. They include MTD real property; special pass programs and fare structure; unfunded liabilities and working capital reserves; general manager succession and transition; and implementation of the AIM System. MTD has current and/or upcoming challenges and opportunities related to each of the properties owned by the District, including the rezoned Calle Real property for residential development. The re-zone was approved as part of the Eastern Goleta Valley Community Plan update in October 2015. This would unlock financial value of District property. For the fare structure, MTD received \$1.0 million in state Proposition 1B funding to begin a smart card technology project.

A significant management transition occurred as the District’s general manager of the past 10 years (and employee for 40 years) retired in July 2014. The former assistant general manager/controller was appointed general manager. The change in management coincided with new investments in technologies to enhance MTD’s customer service activities and operating procedures. Other key management changes included the retirement and replacement of the

maintenance manager, and the filling of the assistant general manager/finance and administration position.

Financial Challenges

Early in the audit period, MTD was faced with a great deal of financial uncertainty. Issues that were of particular concern to MTD at that time:

- Uncertainty surrounding a new federal transportation bill and state funding.
- Dissolution of state redevelopment agencies that reduced the amount of subsidy the City of Santa Barbara could commit to the Downtown Waterfront Electric and Crosstown Shuttle services.
- Increases in diesel fuel prices.
- Expiration of the District's collective bargaining agreement with Teamsters Local 186.

A projected structural imbalance in the operating budget was likely in FY 2012-13. MTD faced the prospect of losing all federal financial assistance due to a disagreement between the U.S. Department of Labor and the State of California regarding the implementation of PEPR on public transit employees. Staff was instructed by the MTD Board of Directors to attempt to put the impact of the delay and/or potential loss of FTA Section 5307 funding into context for the public. The District had designed a contingency plan and held public meetings for potential massive service reductions of a minimum of 30 percent from losing federal financial assistance. Ultimately, the State of California passed legislation that temporarily exempted most public transit employees from PEPR. The District received a permanent exemption due to its retirement plan being a Taft-Hartley Trust Plan.

In addition, other adverse concerns were resolved in a manner favorable to the District, including new federal legislation (Fixing America's Surface Transportation Act) that resulted in an increase in federal urban transit fund assistance to the Santa Barbara Urbanized Area. The majority of the increase was attributable to a 50 percent increase in the Small Transit Intensive Cities program. State Transit Assistance Funds received by the District has also been more stable than it had been in prior years. Further, new fixed-price diesel fuel contracts were negotiated for lower fuel costs.

Although beyond the audit period, it is noted that MTD adopted a cash reserves policy in April 2016 for prudent financial management of the District. A primary goal of the policy is to maintain a reserve amount equal to three months of the annual operating budget to increase the District's ability to maintain continued fiscal health and minimize interruptions in transit service in the event of economic disruptions, natural disasters, major funding losses, and/or significant risk-related outlays. Additionally, the establishment of capital reserves provides for the replacement or addition of District facilities, rolling stock, and equipment. The policy describes the type and purpose of the cash reserves to be established, the process for determining the target reserve amounts, the authority for using accumulated reserves, and the means for funding the reserves.

Administrative Performance

Quantitative trends for MTD planning and administrative functions are shown in Table V-4.

Table V-4
MTD Planning and Administration Performance Indicators

Base Data & Performance Indicators	Base Year FY 2012	Audit Review Period			% Change FY13-FY15
		FY 2013	FY 2014	FY 2015	
Costs for Administration	\$3,140,225	\$3,075,989	\$3,271,558	\$3,550,933	13.1%
Administration Pay Hours	29,543	27,873	29,266	27,794	-5.9%
Vehicle Service Hours (VSH)	201,740	199,448	201,084	206,609	2.4%
Vehicle Service Miles (VSM)	2,510,240	2,513,126	2,556,502	2,583,827	2.9%
Unlinked Passenger Trips	7,931,414	7,774,329	7,623,845	7,487,113	-5.6%
Passenger Miles	34,621,744	34,714,243	36,724,271	35,904,298	3.7%
Admin Cost Per VSH	\$15.57	\$15.42	\$16.27	\$17.19	10.4%
Admin Cost Per VSM	\$1.25	\$1.22	\$1.28	\$1.37	9.9%
Admin Cost per Psgr Trip	\$0.40	\$0.40	\$0.43	\$0.47	19.8%
Admin Cost per Psgr Mile	\$0.09	\$0.09	\$0.09	\$0.10	9.0%
VSH per Admin Pay Hour	6.83	7.16	6.87	7.43	8.9%
VSM per Admin Pay Hour	84.97	90.16	87.35	92.96	9.4%
Consumer Price Index (CPI-U)	1.6%	1.4%	1.8%	0.8%	-50.0%

Source: National Transit Database Reports for FY 2013–2015.

Administrative costs increased by 13.1 percent. This functional cost increased in line with the trends in service (hours and miles) which slightly grew during the audit period. Administrative pay hours decreased marginally with the changes in personnel. Coupled with decreases in ridership, the performance indicators for administrative cost relative to passengers increased at a higher rate than cost per service hour and mile.

Personnel Management

The Human Resources and Risk Department is responsible for hiring in all agency departments. The manager of this department is modernizing the hiring process through use of technology platforms such as online recruitment from the MTD website, and advertisement through social media with links back to the online recruitment site. Word of mouth referrals have continued to be a good method among driver staff and help maintain positive morale. Trade publications and newspaper advertisement are valued methods, while other venues such as the Employment Development Department and Workforce Investment Board have had limited success.

There was an increased number of recruitments due primarily to retirements. Historically, MTD has a very low rate of turnover among all ranks. MTD hired 22 new bus drivers and 8 administrative staff. To date, none of the new bus drivers have left. MTD screens bus applicants

from a phone/video interview and prefers backgrounds in customer service along with a positive work history. Select applications are kept on file as being preapproved for future consideration to streamline the initial screening process.

MTD maintains an open door policy where an employee is welcome to discuss an issue up the management ranks. MTD administrative staff receives yearly performance evaluations, which are completed at the end of the calendar year. These performance evaluations include interviews between the employee and supervisor, and a self-evaluation process in which staff evaluates their own performance against established goals.

Bus operators receive annual ridechecks conducted by transit supervisors to evaluate their performance in relation to such skills as customer service and on-time performance. Retraining is provided as necessary. Policies and protocols based on a points system are in place to address disciplinary actions. An established grievance process includes an accident review committee comprising human resource and operations management. Arbitration is a final step in the process if needed.

The manager of Human Resources & Risk Department also manages the agency's drug and alcohol program. Due to the lack of an available local medical facility to conduct testing at all hours, as required by the FTA, MTD conducts in-house alcohol testing, but does not conduct in-house drug testing. The drug and alcohol test is administered for various causes including pre-employment; random selection every two months; reasonable suspicion; post accident; 90 days after an absence; and medical recertification. MTD has its own breathalyzer device to conduct the test in-house, which is cost-effective versus outside testing. In addition, there are time savings from having to send the driver to the facility and wait to take the test. However, the number of MTD technicians trained and certified to perform on-call testing has declined, and the agency is looking to outsource testing again including options for after-hours testing for drug and alcohol.

Grant Administration and Funding

Grant funding allocated toward supporting transit services has been derived from local, state, and federal sources. During the audit period MTD received various forms of local revenue including contracted fare revenues through agreements with local agencies, local operating assistance including Measure A and property tax revenue, and proceeds from advertising. MTD is a direct recipient of the local sales tax. MTD also provides an operating subsidy to Easy Lift Transportation to support the complementary ADA paratransit service.

State funding has consisted of TDA and Proposition 1B allocations. According to the financial audits, MTD's Local Transportation Fund (LTF) allocation ranged between \$6.9 and \$7.3 million per year during the audit period. In addition, MTD received between \$84,740 and \$1,664,693 annually in State Transit Assistance Funds (STAF) during the three years, with the highest amount coming in FY 2015. The financial audits indicate the District has approximately \$7.5 million in STAF 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 SBCAG.

Proposition 1B revenues flowing to MTD for capital purchases totaled \$1.6 million in FY 2013, \$264,214 in FY 2014, and \$3.4 million in FY 2015. Proposition 1B bond funds that provide the revenue are nearly exhausted from the near sunset of the program, and the District anticipates much smaller cash advances going forward. Proposition 1B (PTMISEA and TSSDRA) has provided for several capital projects during the audit period including replacement of diesel buses, AVL system including on-board cameras and radio acquisition and installation, and major rehabilitation work for the Transit Center in downtown Santa Barbara. The state funds supplement local and federal funds allocated to these projects; for example, the diesel bus replacement was procured in combination with FTA Section 5339 capital funds.

In the annual budget, MTD lists capital projects budgeted for procurement. Projects include bus replacements, technology procurement, facility improvement and rehabilitation for the Olive Street facility and Transit Center, and bus stop shelter installation in downtown Santa Barbara. A separate detailed schedule of bus replacements and TDA match funds is also contained in the budget in the projected capital project funding plan.

Among sources of federal funding, MTD receives FTA Section 5307 program grants for operating expenses and some capital projects. MTD and SBCAG follow the agreement signed by the two parties in February 2008 as to the fund allocation and project selection. MTD requests reimbursement through the federal TEAM (now TrAMS) system to draw down the funds. Based on NTD data, cost reimbursements made by MTD were between \$4.9 and \$5.8 million per year during the three-year audit period. Table V-5 shows the expenditures by fiscal year and between operating and capital.

Table V-5
MTD FTA 5307 Grant Expenditures

	Operating Grant	Capital Grant	Total Expenditures
FY 2013	\$4,854,006	\$1,005,301	\$5,859,307
FY 2014	\$4,943,999	\$23,212	\$4,967,211
FY 2015	\$4,914,363	\$12,325	\$4,926,688
Grand Total	\$14,712,368	\$1,040,838	\$15,753,206

Source: FY 2013-15 MTD NTD (F-10)

Section VI

Findings and Recommendations

The following material summarizes the major findings obtained from this triennial audit covering FYs 2013 through 2015. A set of recommendations is then provided.

Triennial Audit Findings

1. Of the compliance requirements pertaining to MTD, the agency fully complied with all nine requirements. Two additional compliance requirements did not apply to MTD (e.g., intermediate/rural farebox recovery ratios). MTD also implemented the four prior audit recommendations pertaining to documentation of compliance findings, technology investment, short range transit plan update, and operator training.
2. Based on the annual fiscal audits, MTD complied with the farebox recovery ratio and the fare plus local support ratio. Both ratios were relatively strong compared to the TDA thresholds. MTD receives significant local support through various revenue sources including local Measure A, property taxes, contract fares from UCSB and SBCC, subsidies from local governments to buy down fares, and advertising. Through Measure A, MTD is a direct recipient of the sales tax revenue.
3. MTD participates in the CHP Transit Operator Compliance Program in which the CHP has conducted inspections within the 13 months prior to each TDA claim. The CHP inspection reports were rated satisfactory and included minor findings made by the CHP in regard to a driver with an excess number of hours allowed to drive, and inspection and maintenance records not including the signature of the mechanic performing the inspection.
4. MTD's performance indicators reflect a relatively stable system in terms of operating costs, vehicle service hours and miles and farebox revenue during the reporting period. Apart from a reduction of ridership of 5.6 percent in the triennial period, MTD's performance indicators experienced relatively modest changes. MTD included a cost-of-living increase consistent with the terms of the new collective bargaining agreement and follow a previous time when MTD froze employee wage rates. Other system-wide TDA performance indicators such as operating cost per passenger and cost per hour increased only slightly for the three-year period. Passengers per hour declined from the reduced ridership.
5. Among the modifications to the routes included the elimination of Line 22 (Old Mission) in August 2014 due to low performance. This line, which served from downtown Santa Barbara to the Old Mission including stops at Orpet Park and Museum of Natural History, attained only 24,000 riders per year, the least of all the routes.
6. MTD engaged in negotiations with the Teamsters Union for a new contract to replace the one that expired in June 2012. The issue surrounding implementation of the Public Employees' Pension Reform Act of 2013 (PEPRA) on public transit employees complicated and prolonged negotiations between the District and Teamsters Local 186 regarding a new collective

bargaining agreement. The District received a permanent exemption from PEPRA due to the fact that its retirement plan is a Taft-Hartley Trust Plan. New agreements were effective July 1, 2012 through June 30, 2016. The District had designed a contingency plan and held public meetings for potential massive service reductions of a minimum of 30 percent from losing federal financial assistance.

7. The tight configuration of the maintenance facility was assessed and physical modifications made to increase capacity, especially to make room to service and house the three large articulated buses that stretch an additional 20-feet further than the typical MTD bus. The new articulated buses are maintained under a new bus canopy installed at the bus yard.
8. MTD updated its Short Range Transit Plan in March 2015 after 10 years since the last update in 2005. The update includes an assessment of the strengths and weaknesses of the existing service, and a forecast of future service and financial needs. The SRTP includes an assessment of the performance of existing services, including ridership levels and productivity, and recommendations for service improvement.
9. MTD produces a series of detailed statistical reports that provide snapshots of route performance. Data is collected through different means including probes of the GFI fareboxes and analysis by staff. Performance measures such as ridership and related key indicators are compared to historic data. Monthly data feeds into quarterly and annual statistics.
10. In July 2014, MTD provided revised specifications for an AVL & ITS Management (AIM) System. The AIM system is being implemented to aid MTD in fulfilling its mission and meeting the needs of the MTD bus operators, supervisors, management, and public ridership. In an era of rapid technology advances and increasing interoperability requirements, AIM is designed to allow it to be easily maintained, upgraded, and expanded. MTD entered into an 18-month contract with Clever Devices to provide MTD with a turnkey AIM System that includes five primary ITS systems.
11. MTD's Board of Directors, working with staff, completed a new five-year strategic plan (FY 2016-2021) that was adopted on December 15, 2015. Six values were developed through the strategic plan process to fulfill the mission statement and meet the needs of the public. Identified strategic actions are reexamined annually.
12. A significant management transition occurred as the District's general manager of the past 10-years (and employee for 40-years) retired in July of 2014. The former Assistant General Manager/Controller was appointed General Manager. The change in management coincided with new investments in technologies to enhance MTD's customer service activities and operating procedures.

Triennial Audit Recommendations

1. Hold discussion with SBCAG regarding new rules for farebox recovery.
(Statutory Requirement)

MTD is subject to farebox recovery ratios based on a now-deleted provision of TDA law. Senate Bill 508, passed in October 2015, eliminates provisions for farebox ratios higher than 20 percent for urban transit operators, as well as a separate fare plus local support ratio. Since MTD had a farebox recovery ratio greater than 20 percent in FY 1978-79, previous law stated the District must maintain that higher farebox recovery ratio of 30.27 percent. Also, since MTD had a fare and local support ratio greater than 20 percent in FY 1978-79, the agency must also maintain that higher fare and local support ratio of 34.33 percent.

MTD should hold discussion with SBCAG and receive confirmation regarding the resetting of the single farebox recovery standard required by TDA under the new law. The requirement of two farebox ratios is eliminated. The farebox reset would reduce the ratio from 30.27 percent to 20.0 percent, a standard that can be readily met by the District considering its local revenues. Further, the new law allows other local support revenue to supplement the farebox recovery, as needed, to meet the 20 percent. In keeping with its current operating performance structure, MTD could consider retaining the existing higher farebox ratio as an internal goal while ensuring compliance with the state farebox standard. Funding approvals by SBCAG through the TDA claim would be based on the District meeting the lower state standard resulting from the new legislation.

2. Continue efforts to locate and enhance program training, including for maintenance.
(Auditor Suggestion)

MTD prioritizes training and staff development that improve key performance indicators; however, MTD indicated there are limited resources in the Santa Barbara area available for specific training such as for bus mechanics. The current vehicle fleet mix of diesel, hybrid, and electric vehicles requires specialized training and knowledge of each type. Some training for bus mechanics is provided on-site by staff from the bus manufacturers, and the District is working with the Teamsters to develop a local training program. Possible outside area training opportunities include the Southern California Regional Transit Training Consortium, and contact with other transit agencies that are heavily involved with clean fuels such as SunLine Transit Agency in Thousand Palms. Up-to-date training provides both incentive and benefit for current and prospective bus mechanics in an industry that is in shorter supply of qualified personnel.

3. Fill key administrative positions.
(Auditor Suggestion)

MTD was reorganized to better deliver transit service in a more efficient manner. The MTD organization chart shows an existing vacancy for a marketing manager, a key position that

administers the marketing program, which includes customer outreach, customer service, complaint handling, and targeted general public outreach. While many of these duties are currently being addressed by the customer and public outreach administrator, filling the marketing manager position would help provide a broad perspective to the marketing program and increase the use of technology, such as customer relationship management software, to help enhance ridership. Funds are budgeted in the near term to enhance the marketing aspects of the District.

A procurement specialist position was also vacant during the audit period based on the MTD organization chart. The position has since been filled. With large procurements in the works such as vehicles and Transit Center rehabilitation, along with existing technology investments, staffing of this position is important. Another position for consideration is a mechanic technician versed in electric vehicles, advanced on-board technology, and related facility systems. This specific position is not on the organization chart, and would provide capability to service and maintain the electrical and new technology systems and infrastructure being implemented at MTD.

Appendix A

Summary of Fixed Routes (Short Range Transit Plan: FY 2015 to FY 2019)

MTD Fixed-Route Services

Line	Name	Description	Days	Type
1	West Santa Barbara	Westside to Downtown SB via San Andres & Carrillo	Daily	Trunk
2	East Santa Barbara	Eastside to Downtown SB via Milpas & Anapamu	Daily	Trunk
3	Oak Park	Downtown SB to Cottage Hospital, Oak Park & Foothill Rd.	Daily	Local
4	Mesa/SBCC	Downtown SB to Mesa via Carrillo & Cliff	Weekday	Local
5	Mesa/La Cumbre	Downtown SB to Mesa, Hidden Valley & La Cumbre	Daily	Local
6	Goleta	Downtown SB to Camino Real via State & Hollister	Daily	Trunk
7	Calle Real/Fairview	Downtown SB to La Cumbre & Fairview Ctr via Calle Real	Daily	Trunk
8	Calle Real/Turnpike	Downtown SB to La Cumbre & Turnpike via Calle Real	Daily	Trunk
9	Calle Real/Old Town	Old Town Goleta to Calle Real via Patterson & Fairview	Daily	Local
10	Cathedral Oaks	La Cumbre to Camino Real via Cathedral Oaks	Weekday	Local
11	UCSB	Downtown SB to Camino Real via State, Hollister & UCSB	Daily	Trunk
12x	Goleta Express	Downtown SB to Goleta & Camino Real via 101	Daily	Express
14	Montecito	Downtown SB to Montecito via Milpas & Coast Village	Wkdy/Sat	Local
15x	SBCC/UCSB Express	Mesa & SBCC to UCSB & Isla Vista via US 101	Weekday	Express
16	SBCC	Downtown SB to SBCC via Cabrillo & Loma Alta	Weekday	Local
17	Westside/SBCC	Downtown SB to SBCC via San Pascual & Cliff	Daily	Local
20	Carpinteria	Downtown SB to Carpinteria via Milpas & Summerland	Daily	Trunk
21x	Carpinteria Express	Downtown SB to Carpinteria via Highway 101	Wkdy/Sat	Express
23	Winchester Canyon	Camino Real Marketplace to Winchester Canyon	Daily	Local
24x	UCSB Express	Downtown SB to UCSB, Isla Vista, & Camino Real via 101	Daily	Express
25	Ellwood	Camino Real Marketplace to Ellwood	Daily	Local
27	Isla Vista Shuttle	UCSB to Isla Vista & Camino Real	Daily	Local
30	Downtown-Waterfront Shuttle	Cabrillo Blvd. to Sola Street via State Street	Daily	Shuttle
31		State Street to Zoo via Cabrillo Blvd.		
32		State Street to Harbor via Cabrillo Blvd.		
36	Seaside Shuttle	Linden to Carpinteria Residential Loop	Daily	Local
37	Crosstown Shuttle	Westside & Eastside to Downtown SB	Weekday	Local
86	Coastal Express Limited	Ventura to Santa Barbara - Peak Period Only	Weekday Peak Only	Inter regional
87		Ventura to Santa Barbara - Peak Period Only		
88		Ventura to Goleta - Peak Period Only		
89		Ventura to Goleta - Peak Period Only		
2000s - Booster Services		Public Transportation Tripper Service To & From Schools	Weekday	Booster

Source: Santa Barbara Metropolitan Transit District.



BOARD OF DIRECTORS REPORT

MEETING DATE: JANUARY 10, 2017 **AGENDA ITEM #:** 13

TYPE: ACTION ITEM

PREPARED BY: STEVE MAAS

Signature

HILLARY BLACKERBY

Signature

REVIEWED BY: GENERAL MANAGER

GM Signature

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

RECOMMENDATION:

Adopt Resolution 2017-02 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 2017 California cap-and-trade funds 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. All projects funded with auction proceeds must demonstrate greenhouse gas reduction. LCTOP provides formula funds to transit agencies such as MTD based on the agency's percentage of statewide fare revenue, and to regional transportation planning agencies such as the Santa Barbara County Association of Governments (SBCAG) based on the area's percentage of statewide population. Staff expects SBCAG to determine the allocation of its countywide funds at its Board meeting of March 16. It is anticipated that applications will be due to Caltrans by March 31.

Once staff is informed of MTD's direct allocation and the amount of countywide funds that the SBCAG Board allocates to MTD, staff will return to the Board with a second resolution to approve an LCTOP project. Due to lower cap-and-trade auction proceeds than previous years, MTD expects a lower allocation amount this round. We do not expect to receive enough funds to continue the Lines 1 & 2 service enhancement of 10-minute A.M. peak headways that has been funded with LCTOP dollars beginning November 30, 2015. In addition, the service enhancement has not performed as anticipated, and staff believes the LCTOP funds can be more productively applied to a different project.

Thanks to recent legislation that expanded the types of projects eligible for LCTOP funds, staff expects to recommend applying this funding to the development of a 5-Year Marketing Plan to assist in boosting ridership and increasing transit mode share on the South Coast, thereby lowering carbon emissions.

Staff recommends that the Board adopt the attached resolution 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 a pending application to Caltrans for FY 2017 California cap-and-trade funds from the LCTOP.

ATTACHMENTS:

- LCTOP Certifications and Assurances
- LCTOP Authorized Agent Form
- MTD Board Resolution 2017-02

**FY 16-17 LCTOP
Certifications Assurances**



Lead Agency: **Santa Barbara Metropolitan Transit District**

Project Name: _____

Prepared by: **Steve Maas**

The California Department of Transportation (Caltrans) has adopted the following certifications and assurances for the Low Carbon Transit Operations Program. As a condition of the receipt of LCTOP funds, project lead must comply with these terms and conditions.

A. General

1. The project lead agrees to abide by the current LCTOP Guidelines and applicable legal requirements.
2. The project lead must submit to Caltrans a signed Authorized Agent form designating the representative who can submit documents on behalf of the project sponsor and a copy of the board resolution appointing the Authorized Agent.

B. Project Administration

1. The project lead certifies that required environmental documentation is complete before requesting an allocation of LCTOP funds. The project lead assures that projects approved for LCTOP funding comply with Public Resources Code § 21100 and § 21150.
2. The project lead certifies that a dedicated bank account for LCTOP funds only will be established within 30 days of receipt of LCTOP funds.
3. The project lead certifies that when LCTOP funds are used for a transit capital project, that the project will be completed and remain in operation for its useful life.
4. The project lead certifies that it has the legal, financial, and technical capacity to carry out the project, including the safety and security aspects of that project.
5. The project lead certifies that they will notify Caltrans of pending litigation, dispute, or negative audit findings related to the project, before receiving an allocation of funds.
6. The project lead must maintain satisfactory continuing control over the use of project equipment and facilities and will adequately maintain project equipment and facilities for the useful life of the project.
7. Any interest the project lead earns on LCTOP funds must be used only on approved LCTOP projects.
8. The project lead must notify Caltrans of any changes to the approved project with a Corrective Action Plan (CAP).
9. Under extraordinary circumstances, a project lead may terminate a project prior to completion. In the event the project lead terminates a project prior to completion, the project lead must (1) contact Caltrans in writing and follow-up with a phone call verifying receipt of such notice; (2) pursuant to verification, submit a final report indicating the reason for the termination and demonstrating the expended funds were used on the intended purpose; (3) submit a request to reassign the funds to a new project within 180 days of termination.
10. Funds must be encumbered and liquidated within the time allowed.

**FY 16-17 LCTOP
Certifications Assurances**



C. Reporting

1. The project lead must submit the following LCTOP reports:
 - a. Semi-Annual Progress Reports by May 15th and November 15th each year.
 - b. A Final Report within six months of project completion.
 - c. The annual audit required under the Transportation Development Act (TDA), to verify receipt and appropriate expenditure of LCTOP funds. A copy of the audit report must be submitted to Caltrans within six months of the close of the year (December 31) each year in which LCTOP funds have been received or expended.
2. Other Reporting Requirements: ARB is developing funding guidelines that will include reporting requirements for all State agencies that receive appropriations from the Greenhouse Gas Reduction Fund. Caltrans and project sponsors will need to submit reporting information in accordance with ARB's funding guidelines, including reporting on greenhouse gas reductions and benefits to disadvantaged communities.

D. Cost Principles

1. The project lead agrees to comply with Title 2 of the Code of Federal Regulations 225 (2 CFR 225), Cost Principles for State and Local Government, and 2 CFR, Part 200, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.
2. The project lead agrees, and will assure that its contractors and subcontractors will be obligated to agree, that:
 - a. Contract Cost Principles and Procedures, 48 CFR, Federal Acquisition Regulations System, Chapter 1, Part 31, et seq., shall be used to determine the allow ability of individual project cost items and
 - b. Those parties shall comply with Federal administrative procedures in accordance with 2 CFR, Part 200, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments. Every sub-recipient receiving LCTOP funds as a contractor or sub-contractor shall comply with Federal administrative procedures in accordance with 2 CFR, Part 200, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.
3. Any project cost for which the project lead has received funds that are determined by subsequent audit to be unallowable under 2 CFR 225, 48 CFR, Chapter 1, Part 31 or 2 CFR, Part 200, are subject to repayment by the project lead to the State of California (State). All projects must reduce greenhouse gas emissions, as required under Public Resources Code section 75230, and any project that fails to reduce greenhouse gases shall also have its project costs submit to repayment by the project lead to the State. Should the project lead fail to reimburse moneys due to the State within thirty (30) days of demand, or within such other period as may be agreed in writing between the Parties hereto, the State is authorized to intercept and withhold future payments due the project lead from the State or any third-party source, including but not limited to, the State Treasurer and the State Controller.

E. Record Retention

1. The project lead agrees, and will assure that its contractors and subcontractors shall establish and maintain an accounting system and records that properly accumulate and segregate incurred project costs and matching funds by line item for the project. The accounting system of the project lead, its contractors and all subcontractors shall conform to Generally Accepted Accounting Principles (GAAP), and enable the determination of incurred costs at interim points of completion. All accounting records and other supporting papers of the project lead, its contractors and subcontractors connected with LCTOP funding shall be maintained for a minimum of three (3) years after the “Project Closeout” report or final Phase 2 report is submitted (per ARB Funding Guidelines, Vol. 3, page 3.A-16), and shall be held open to inspection, copying, and audit by representatives of the State and the California State Auditor. Copies thereof will be furnished by the project lead, its contractors, and subcontractors upon receipt of any request made by the State or its agents. In conducting an audit of the costs claimed, the State will rely to the maximum extent possible on any prior audit of the project lead pursuant to the provisions of federal and State law. In the absence of such an audit, any acceptable audit work performed by the project lead’s external and internal auditors may be relied upon and used by the State when planning and conducting additional audits.
2. For the purpose of determining compliance with Title 21, California Code of Regulations, Section 2500 et seq., when applicable, and other matters connected with the performance of the project lead’s contracts with third parties pursuant to Government Code § 8546.7, the project sponsor, its contractors and subcontractors and the State shall each maintain and make available for inspection all books, documents, papers, accounting records, and other evidence pertaining to the performance of such contracts, including, but not limited to, the costs of administering those various contracts. All of the above referenced parties shall make such materials available at their respective offices at all reasonable times during the entire project period and for three (3) years from the date of final payment. The State, the California State Auditor, or any duly authorized representative of the State, shall each have access to any books, records, and documents that are pertinent to a project for audits, examinations, excerpts, and transactions, and the project lead shall furnish copies thereof if requested.
3. The project lead, its contractors and subcontractors will permit access to all records of employment, employment advertisements, employment application forms, and other pertinent data and records by the State Fair Employment Practices and Housing Commission, or any other agency of the State of California designated by the State, for the purpose of any investigation to ascertain compliance with this document.

F. Special Situations

Caltrans may perform an audit and/or request detailed project information of the project sponsor’s LCTOP funded projects at Caltrans’ discretion at any time prior to the completion of the LCTOP.

I certify all of these conditions will be met.

Jerry Estrada

(Print Authorized Agent)

General Manager

(Title)

(Signature)

(Date)

AS THE Chief Executive Officer
(Chief Executive Officer / Director / President / Secretary)

OF THE Santa Barbara Metropolitan Transit District
(Name of County/City / Organization)

I hereby authorize the following individual(s) to execute for and on behalf of the named Regional Entity/Transit Operator, any actions necessary for the purpose of obtaining Low Carbon Transit Operations Program (LCTOP) funds provided by the California Department of Transportation, Division of Rail and Mass Transportation. I understand that if there is a change in the authorized agent, the project sponsor must submit a new form. This form is required even when the authorized agent is the executive authority himself. I understand the Board must provide a resolution approving the Authorized Agent. The Board Resolution appointing the Authorized Agent is attached.

Assistant General Manager Brad Davis OR
(Name and Title of Authorized Agent)

Manager of Government Relations & Compliance Steve Maas OR
(Name and Title of Authorized Agent)

Assistant Controller Thais Sayat
(Name and Title of Authorized Agent)

Jerry Estrada
(Print Name)

General Manager
(Title)

(Signature)

Approved this 10th day of January, 20 17

RESOLUTION 2017-02

**AUTHORIZATION FOR THE EXECUTION OF THE
CERTIFICATIONS AND ASSURANCES AND AUTHORIZED AGENT FORMS
FOR THE LOW CARBON TRANSIT OPERATIONS PROGRAM (LCTOP)**

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) 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 delegate authorization to execute these documents and any amendments thereto to General Manager Jerry Estrada.

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 Certification and Assurances and the Authorized Agent documents and applicable statutes, regulations and guidelines for all LCTOP funded transit projects.

NOW THEREFORE, BE IT FURTHER RESOLVED that General Manager Jerry Estrada be authorized to execute all required documents of the LCTOP program and any Amendments thereto with the California Department of Transportation.

PASSED AND ADOPTED by the Board of Directors of the Santa Barbara Metropolitan Transit District this 10th day of January, 2017, by the following vote:

AYES: _____

NAYS: _____

ABSENT: _____

Chair, Board of Directors

ATTEST:

Secretary, Board of Directors

To: MTD Board of Directors
From: Jerry Estrada, General Manager
Date: January 10, 2017
Subject: General Manager's Report

Operations & Maintenance

Three operators successfully completed their training, and are now driving their bid runs. (Gregory Didier, Jason Martinez and Elizabeth Najera). Additionally, four new operators are in training. (Eddie Gonzalez, Aaron Schmidt, Keith Ellis, and Mariann Steinmann)

Maintenance staff has disposed of (5) of the (6) electric shuttles that were previously taken out of service and stored at the Overpass site. Steve Hahn has posted for potential sale of associated parts on the Public Surplus site, hoping to obtain some recovery.

Dave Harbour and Hillary Blackerby recently made a site visit to BYD to go over build particulars with BYD project staff.

Complete Coach Works (CCW) performed an onsite assessment of the Nova bus fleet flooring on November 30th. CCW provided a written estimate for complete flooring replacement. A request to have the first (6) floor replacements completed will be included in the mid-year budget revision. Additional Nova floor replacements will need to be considered in the next 6-12 months.

The canopy lift portion and the roof replacement will run concurrently, with the project resuming on January 3rd. The estimated project completion date is 99 days from January 3rd. Weekly status meetings will be held at MTD to insure that all parties are aware of any timeline deviation.

Planning & Administration

The outer northbound Highway 101 lane between Hot Springs Road and Milpas Street will be closed for a month in order for Caltrans to repair a drainage culvert recently damaged by a fire. As a result, freeway congestion along this extent has been significant, causing schedule adherence issues on Lines 20 and 21x.

Staff attended a meeting of county transit operators organized by SBCAG on December 20th. The meeting included an initial discussion of the method of allocation of the countywide portion of LCTOP funds that flow through SBCAG. Options discussed included a competitive call for projects and various formula distributions. No decisions were reached at the meeting. SBCAG staff plans to schedule another transit operators meeting to continue the discussion, followed by a recommendation to the SBCAG Board.

Marketing and Community Relations is working closely with our marketing firm Celtis Ventures on several projects, including preparing our Report to the Community and working to develop a 5-Year Marketing Plan. We have also expanded our social media outreach. We now have active Facebook, Instagram and Twitter accounts at @santabarbaramtd, across all three

platforms. We are also working on a newly-designed bus ad rate sheet to attract new advertisers.

The Accounting Department is in the midst of its calendar-year-end closing process related to payroll and vendor tax reporting. It includes the submittal of annual payroll tax reconciliations, issuance of W-2s to employees (including required Affordable Care Act information), and the preparation and issuance of 1099s to vendors. Additional annual reporting due later in the quarter includes the 2016 District employee compensation report for submittal to the State Controller and the staff pension 5500 information return. The job opening is now being advertised for the part time accounting position to backfill the fare processing, bank deposit, and ticket and change machine stocking duties currently carried out by Fare Revenue Collection (FRC) personnel. Upon the hiring and training of the new employee, the two FRC employees will transfer to the Maintenance Department.

The AVL & ITS Management (AIM) onboard systems equipment has arrived for installation on the remaining 7 Nova buses, which will take place next week. This will complete the installation for all non-shuttle vehicles, allowing for full testing of the real time bus arrival information systems prior to introduction to the public. AIM will be installed on the BYD electric fleet as part of the production process of those vehicles in the coming months, which will bring the new intelligent transportation systems to 100% of MTD's revenue vehicle fleet.

The Transit Center driveway geotechnical soils report indicated that significant subgrade soil preparation work for the new driveway is unnecessary. The test results are relevant to the type of storm water runoff mitigation measures that will be required by the City of Santa Barbara. LMA Architects will be including this information in its response to the City's initial plan check comments on the TC renovation project. The MTD project team has worked with the City to develop the staging plan during TC renovation work, which will require the use of an additional lane on Chapala Street for bus boarding and alighting and a portion of the adjacent City Parking Lot #3 for temporary TC facilities.

The \$1.6 million contract with Genfare for the Fast Fare electronic farebox system was finalized and executed in late December. Following MTD receipt of the 95 fareboxes and other project deliverables, a 70% installment payment was made to Genfare per the terms of the agreement. Installation and implementation of the new system will take place later in the first quarter, following further progress or completion of other high priority Olive facility projects including the AIM system, charging infrastructure upgrades, and the canopy improvements.

Brad Davis and Steve Maas attended an FTA Triennial Review Workshop in mid-December, which provided an overview of key FTA requirements and any areas of emphasis for the review. It was also an opportunity to meet and interact with FTA, Triennial Review contractor, and peer agency personnel.

The first quarter of the year is a busy time for the Finance and Planning staff's as the focus turns to budgets and service planning. Staff will be scheduling Board Committee meetings between late January and early March to seek board guidance on its recommendations.



BOARD OF DIRECTORS REPORT

MEETING DATE: JANUARY 10, 2017 **AGENDA ITEM #:** 17

TYPE: ACTION ITEM

PREPARED BY: JERRY ESTRADA

Signature

REVIEWED BY: GENERAL MANAGER

GM Signature

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

DISCUSSION:

Per the direction of the Board of Directors, attached is Amendment 2 to the General Manager's employment agreement.

**SECOND AMENDMENT TO
EMPLOYMENT AGREEMENT OF JULY 19, 2014
GENERAL MANAGER, SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**
THIS SECOND AMENDMENT TO EMPLOYMENT AGREEMENT is made
and entered into this 10TH DAY OF JANUARY, 2017 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 January 1, 2017.

- A.** Employee serves as General Manager for the Santa Barbara Metropolitan Transit District (MTD).

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

1. Section 6, – Base Salary. Section 6 is amended to read as follows:

- (a) The Board will decide at its January 10, 2017 Board meeting upon a new, annual base salary for Estrada, to be effective January 1, 2017, and to be paid in 26 bi-weekly installments, subject to appropriate withholding and payroll taxes.
- (b) Henceforth, the Board may, by resolution or minute action, decide to change Estrada's Base Salary without the need to formally amend his Employment Agreement of July 19, 2014.

2. Section 5 – Post-Employment Restrictions. The following provisions of Section 5 – Post-Employment Restrictions, shall be amended to read as follows:

Following the end of his employment with MTD, Estrada will avoid post-employment conflicts of interest consistent with the requirements and restriction of Section 14.2 of MTD's Conflict of Interest Code and Sections 87400, et seq. of the Government Code's Political Reform Act of 1974, as amended.

3. Section 8 – Termination by MTD, item (b) Termination without Cause/Severance. The following provision of Section 8 – Termination by MTD, item (b) Termination without Cause/Severance, shall be amended to read as follows:

"...Should MTD choose to end Estrada's employment without cause as MTD's General Manager, MTD shall pay Estrada a severance payment in the amount of nine (9) months' base salary (excluding deferred compensation or the value of any other benefits)"

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

IN WITNESS WHEREOF, the parties hereto have executed this Second 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