BOARD OF DIRECTORS MEETING AGENDA

Meeting
of the
BOARD OF DIRECTORS
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
A Public Agency
Tuesday, November 20, 2018
8:30 AM
John G. Britton Auditorium
550 Olive Street, Santa Barbara, CA 93101

1. CALL TO ORDER

2. ROLL CALL OF THE BOARD MEMBERS
Dave Davis (Chair), David Tabor (Vice Chair), Bill Shelor (Secretary), Olivia Rodriguez (Director), Dick Weinberg (Director), Chuck McQuary (Director), Paula Perotte (Director).

3. REPORT REGARDING POSTING OF AGENDA

CONSENT CALENDAR

4. APPROVAL OF PRIOR MINUTES - (ATTACHMENT - ACTION MAY BE TAKEN)
The Board of Directors will be asked to waive the reading of and approve the draft minutes for the meeting of November 6, 2018.

5. CASH REPORT - (ATTACHMENTS - ACTION MAY BE TAKEN)
The Board of Directors will be asked to review and approve the Cash Report from October 30, 2018, through November 12, 2018.

6. SINGLE AUDIT - (ATTACHMENT - ACTION MAY BE TAKEN)
The Board of Directors will be asked to accept the final Single Audit Report for the fiscal year ended June 30, 2018, prepared by McGowan Guntermann.

THIS CONCLUDES THE CONSENT CALENDAR

7. PUBLIC COMMENT
Members of the public may address the Board of Directors 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 that includes both a description of the subject you wish to address and, if applicable, the agenda item number for which you would like to comment. Additional public comment will be allowed during each agenda item, including closed session items. Forms are available at www.sbmtd.com and at MTD Administrative offices.

8. ZERO EMISSION BUS (ZEB) GOAL - (ATTACHMENT - ACTION MAY BE TAKEN)
Staff recommends that the Board of Directors consider adopting a goal to achieve a 100% zero emission bus (ZEB) fleet by 2030.

9. FIRST QUARTER FINANCIAL REPORTS - (ATTACHMENT - INFORMATIONAL)
Staff will present the financial results for the first quarter of Fiscal Year 2018-19.

10. DIRECTORS AND OFFICERS (D&O) INSURANCE / EMPLOYMENT PRACTICES LIABILITY (EPL) / FIDUCIARY LIABILITY - (ACTION MAY BE TAKEN)
Staff will recommend that the MTD Board of Directors approve binding coverage for Directors and Officers (D&O) insurance, Employment Practices Liability insurance (EPL), and Fiduciary Liability insurance for policy period January 3, 2019 – January 3, 2020.

11. FIRST QUARTER PERFORMANCE REPORTS - (ATTACHMENT - INFORMATIONAL)
Staff will present the performance reports for the first quarter of Fiscal Year 2018-19.

12. CALLE REAL DEVELOPMENT ATTORNEY ENGAGEMENT LETTER - (ATTACHMENT - ACTION MAY BE TAKEN)
Staff recommends that the Board accept the Engagement Letter submitted by Mullen & Henzell L.L.P. to provide legal services for the Transit Oriented Calle Real Housing Development project.

13. 2019 COMMITTEE ASSIGNMENTS - (ATTACHMENT - ACTION MAY BE TAKEN)
Staff will request that the Board of Directors consider Committee assignments for 2019 along with recommendations.

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

a. Fleet Update
b. Staff Promotions

15. OTHER BUSINESS AND REPORTS - (ACTION MAY BE TAKEN)
The Board will report on other related public transit issues and Committee meetings.

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

16. RECESS TO CLOSED SESSION: PUBLIC EMPLOYEE PERFORMANCE EVALUATION - (ACTION MAY BE TAKEN)
The Board will meet in closed session, pursuant to Government Code § 54957, to evaluate the performance of the District's General Manager.

17. ADJOURNMENT

AMERICANS WITH DISABILITIES ACT: If you need special assistance to participate in this meeting, please contact the MTD Administrative Office at 805.963.3364 at least **48 hours in advance** of the meeting to allow time for MTD to attempt a reasonable accommodation.

BOARD OF DIRECTORS MEETING DRAFT MINUTES

Meeting
of the
BOARD OF DIRECTORS
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
A Public Agency
Tuesday, November 6, 2018
8:30 AM
John G. Britton Auditorium
550 Olive Street, Santa Barbara, CA 93101

1. CALL TO ORDER
Chair Dave Davis called the meeting to order at 8:30 AM.

2. ROLL CALL OF THE BOARD MEMBERS
Chair Davis reported that all members were present with the exception of Secretary Bill Shelor.

3. REPORT REGARDING POSTING OF AGENDA
Christina Perry, Administrative Assistant Lead, reported that the agenda was posted on Friday, November 2, 2018, at MTD's Administrative office, mailed and emailed to those on the agenda list, and posted on MTD's website.

SECRETARY SHELOR ENTERED THE MEETING AT 8:32 AM.

CONSENT CALENDAR

4. APPROVAL OF PRIOR MINUTES - (ATTACHMENT - ACTION MAY BE TAKEN)
The Board of Directors was asked to waive the reading of and approve the draft minutes for the meeting of October 16, 2018.

5. CASH REPORT - (ATTACHMENTS - ACTION MAY BE TAKEN)
The Board of Directors was asked to review and approve the Cash Report from October 9, 2018, through October 29, 2018.

Director Chuck McQuary moved to approve the consent calendar. Vice Chair Dave Tabor seconded the motion. The motion passed unanimously.

THIS CONCLUDES THE CONSENT CALENDAR

6. PUBLIC COMMENT
No public comments were made.

7. SINGLE AUDIT - (ATTACHMENTS - INFORMATIONAL)

Brad Davis, Assistant General Manager and Controller, and Scott Davis, CPA and Audit and Accounting Partner with McGowan Guntermann, presented the Single Audit Report for the fiscal year ended June 30, 2018 and answered questions from the Board. Additionally, the Board was provided copies of a governance letter from McGowan Guntermann.

General Manager Jerry Estrada and the Board thanked Assistant General Manager Davis, Assistant Controller Thais Sayat, and staff for their work.

8. 2019 STANDING COMMITTEE ASSIGNMENTS - (ATTACHMENT - ACTION MAY BE TAKEN)

General Manager Estrada suggested that the Board of Directors consider Committee assignments for 2019. He recommended the creation of a Facilities Ad Hoc Committee, incorporating members from the regular committees, to discuss multiple upcoming facilities projects.

Chair Davis directed members of the Board to contact General Manger Estrada with Committee preferences. No further action was taken.

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

General Manager Estrada updated the Board on facilities matters, including fleet electrification, an anticipated zero-emission bus goal, Southern California Edison rates, and the Facilities Master Plan. He also reported that Ryan Gripp, Capital Projects Manager, hosted University of California Fleet Systems Supervisors on October 25, 2018, for a facility tour.

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

Chair Davis noted that the Calle Real Ad Hoc Committee was to meet directly following the Board meeting.

The Board will meet again on November 20, 2018, and December 4, 2018.

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

11. RECESS TO CLOSED SESSION: PUBLIC EMPLOYEE PERFORMANCE EVALUATION - (ACTION MAY BE TAKEN)

The Board met in closed session, pursuant to Government Code § 54957, to evaluate the performance of the District's General Manager.

No public comments were made prior to recess. Chair Davis stated that the Board would stand in recess to closed session at 9:32 AM.

At the end of the closed session, Chair Davis stated that no reportable action was taken.

12. ADJOURNMENT

Director Olivia Rodriguez moved to adjourn the meeting at 10:30 AM. Director Paula Perotte seconded the motion. The motion passed unanimously.

Santa Barbara Metropolitan Transit District

Cash Report

Board Meeting of November 20, 2018

For the Period October 30, 2018 through November 12, 2018

MONEY MARKET		
Beginning Balance October 30, 2018		**$5,462,406.67**
SB-325 (LTF)	876,998.52	
Accounts Receivable	431,002.67	
Measure A Transfer	241,015.07	
Passenger Fares	98,176.32	
Property Tax Revenue	30,863.02	
Prepaids & Advertising	7,536.00	
Miscellaneous Income	15.00	
Total Deposits	**1,685,606.60**	
Workers' Compensation	123.22	
Miscellaneous Transfers	(838.36)	
401(k)/Pension Transfer	(38,415.11)	
Payroll Taxes	(156,721.02)	
Payroll	(352,719.64)	
Accounts Payable	(621,172.56)	
Total Disbursements	**(1,169,743.47)**	
Ending Balance		**$5,978,269.80**
CASH INVESTMENTS		
LAIF Account	$8,502,983.34	
Money Market Account	5,978,269.80	
Total Cash Balance		**$14,481,253.14**
SELF INSURED LIABILITY ACCOUNTS		
WC / Liability Reserves	($4,161,882.07)	
Working Capital		**$10,319,371.07**

Santa Barbara Metropolitan Transit District
Cash Receipts of Accounts Receivable

Date	Company	Description	Amount
10/30/2018	City of S.B. Waterfront Department	Waterfront Shuttle Service-Cruise Ship 9/29/18	4,206.16
10/30/2018	City of S.B. Waterfront Department	Waterfront Shuttle Service-Cruise Ship 10/2/18	3,272.08
10/30/2018	UCSB - Parking Services-7001	Passes/Passports Sales	1,560.00
10/31/2018	MacDonald Media/MUFG Union Ban	Advertising on Buses	16,383.60
10/31/2018	MacDonald Media/MUFG Union Ban	Advertising on Buses	16,383.60
11/1/2018	First5	Advertising on Buses	900.00
11/1/2018	MedBridge	Advertising on Buses	300.00
11/1/2018	UCSB - Contract Fares	Contract Fares Oct 2018	103,000.00
11/1/2018	UCSB - Contract Fares	Contract Fares Oct 2018	11,423.58
11/1/2018	UCSB - Contract Fares	Contract Fares Nov & Dec 2018	228,847.14
11/2/2018	City of SB Creeks Division	Advertising on Buses	300.00
11/2/2018	S.B.C.A.G.	Amtrak Connecting Service	16,964.25
11/2/2018	UCSB - Accts Payable dept	Advertising on Buses	2,324.00
11/5/2018	Goodwin & Thyne Properties	Advertising on Buses	2,080.00
11/5/2018	Jim Haggerty	Retiree - Vision	12.20
11/5/2018	UCSB Bookstore	Passes/Passport Sales	4,275.00
11/5/2018	Wells Marketing, LLC	Advertising on Buses	1,344.60
11/6/2018	Department of Rehabilitation	Passes/Passports Sales	748.00
11/7/2018	ASTI Holding Company, LLC	Overpass Property Lease Nov 2018	16,678.46
		Total Accounts Receivable Paid During Period	**$431,002.67**

Santa Barbara Metropolitan Transit District
Accounts Payable

Check #	Date	Company	Description	Amount	Voids
118961	8/24/2018	RALPH OVIEDA	RETIREE HEALTH REIMBURSEMENT	516.36	V
119431	11/1/2018	ABC BUS COMPANIES INC	BUS PARTS	1,039.87	
119432	11/1/2018	AMERICAN MOVING PARTS, LLC	BUS PARTS	1,109.75	
119433	11/1/2018	HENRY ANDREWS	RETIREE HEALTH REIMBURSEMENT	282.06	
119434	11/1/2018	APPLEONE EMPLOYMENT SERVIC	CONTRACT EMPLOYMENT	1,903.20	
119435	11/1/2018	ASBURY ENVIRONMENTAL	WASTE OIL RECYCLER	31.00	
119436	11/1/2018	JOSE BAUTISTA	AD MOUNTING/DISMOUNTING	544.00	
119437	11/1/2018	BARKLY PROTECTS, INC.	SOFTWARE LICENSES	2,000.00	
119438	11/1/2018	BIG BRAND TIRES, BRANDCO BILL	SERVICE VEHICLE MAINTENANCE	1,245.41	
119439	11/1/2018	KARL BRETZ	RETIREE HEALTH REIMBURSEMENT	94.80	
119440	11/1/2018	ROBERT BURNHAM	RETIREE HEALTH REIMBURSEMENT	285.00	
119441	11/1/2018	BUYNAK, FAUVER, ARCHBALD&S	LEGAL COUNSEL	29,827.73	
119442	11/1/2018	CALIFORNIA ELECTRIC SUPPLY, I	SHOP/B&G SUPPLIES	46.11	
119443	11/1/2018	CALIFORNIA INSULATED WIRE &	B&G REPAIRS & SUPPLIES	2,465.47	
119444	11/1/2018	CARQUEST AUTO PARTS	BUS PARTS & SUPPLIES	221.84	
119445	11/1/2018	CITY OF CARPINTERIA	CHARGING STATION ELECTRICITY	525.93	
119446	11/1/2018	CHARGEPOINT, INC.	ELECTRIC VEHICLE CHARGING STATI	500.00	
119447	11/1/2018	STAN CISOWSKI	RETIREE HEALTH REIMBURSEMENT	249.34	
119448	11/1/2018	CINTAS CORPORATION	FIRST AID SUPPLIES	143.48	
119449	11/1/2018	CROCKER REFRIGERATION & AIR	HVAC MAINTENANCE	1,263.28	
119450	11/1/2018	CUMMINS PACIFIC, LLC	BUS PARTS & REPAIRS	9,621.08	
119451	11/1/2018	CURTIS, NANCY	RETIREE HEALTH REIMBURSEMENT	169.88	
119452	11/1/2018	STATE OF CALIFORNIA DTSC	EPA MANIFEST ANNUAL FEE	215.00	
119453	11/1/2018	DENMUN OFFICE SOLUTIONS DB	IT CONTRACT SERVICES	3,740.00	
119454	11/1/2018	DOWNTOWN ORGANIZATION, INC.	TC MAINTENANCE	450.00	
119455	11/1/2018	GIBBS INTERNATIONAL INC	BUS PARTS	2,029.16	
119456	11/1/2018	GILLIG LLC	BUS PARTS	6,922.10	
119457	11/1/2018	GARY GLEASON	RETIREE HEALTH REIMBURSEMENT	247.95	
119458	11/1/2018	GRAPHICINK	PROMO ITEM	117.02	
119459	11/1/2018	GRAINGER, INC.	SHOP/B&G SUPPLIES	8.94	
119460	11/1/2018	ALI HABIBI	RETIREE HEALTH REIMBURSEMENT	271.54	
119461	11/1/2018	ROBERT HARTMAN, JR.	RETIREE HEALTH REIMBURSEMENT	594.21	
119462	11/1/2018	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	263.10	
119463	11/1/2018	JAY DANIEL ROBERTSON	RETIREE HEALTH REIMBURSEMENT	277.61	
119464	11/1/2018	JAVIER JIMENEZ	DMV REIMBURSEMENT	45.00	
119465	11/1/2018	LOUIS JONES	RETIREE HEALTH REIMBURSEMENT	137.00	
119466	11/1/2018	JOY EQUIPMENT PROTECTION, IN	SERVICING FIRE EXTINGUISHERS	75.00	
119467	11/1/2018	MONTE KIMZEY	RETIREE HEALTH REIMBURSEMENT	294.00	

Check #	Date	Company	Description	Amount	Voids
119468	11/1/2018	LINDA LEE LACKEY	RETIREE HEALTH REIMBURSEMENT	855.00	
119469	11/1/2018	LIFELOC TECHNOLOGIES, INC.	BREATH ANALYZER TRAINING	190.54	
119470	11/1/2018	LORI'S MOBILE NOTARY&FINGERP	MOBILE NOTARY	280.00	
119471	11/1/2018	LOUIS MANDEVILLE	RETIREE HEALTH REIMBURSEMENT	559.22	
119472	11/1/2018	MC CORMIX CORP. (OIL)	LUBRICANTS	5,213.21	
119473	11/1/2018	MC CORMIX CORP. (GAS)	FUEL-SERVICE VEHICLES	2,811.62	
119474	11/1/2018	WARREN D. MCPHERSON	TREE PRUNING AND RESTORATION	160.00	
119475	11/1/2018	MOHAWK MFG. AND SUPPLY CO.	BUS PARTS	499.25	
119476	11/1/2018	MOLINA MANUFACTURING DB	REFURBISH BUS SEATS	677.97	
119477	11/1/2018	MSC INDUSTRIAL SUPPLY CO. D	BUS PARTS	121.58	
119478	11/1/2018	NEWEGG, INC	IT EQUIPMENT & SUPPLIES	84.42	
119479	11/1/2018	NU-COOL REDI GREEN, INC	COOLANTS & SHOP SUPPLIES	612.26	
119480	11/1/2018	PREVOST CAR INC.- CREDIT DEPT.	BUS PARTS	1,768.74	
119481	11/1/2018	N/S CORPORATION	BUS WASHER PARTS	391.00	
119482	11/1/2018	OFFICEMAX	PRINTING SERVICES	228.37	
119483	11/1/2018	CARLOS ORNELAS	RETIREE HEALTH REIMBURSEMENT	250.00	
119484	11/1/2018	RALPH OVIEDA	RETIREE HEALTH REIMBURSEMENT	516.36	
119485	11/1/2018	CAREY POINDEXTER	RETIREE HEALTH REIMBURSEMENT	282.34	
119486	11/1/2018	POWERSTRIDE BATTERY CO.	EV BATTERIES	1,796.66	
119487	11/1/2018	PROFORMA COLOR PRESS DBA	PROMOTIONAL GIVEAWAYS	3,111.03	
119488	11/1/2018	PRISCILLA REID	RETIREE HEALTH REIMBURSEMENT	294.00	
119489	11/1/2018	AL ROMERO SR.	RETIREE HEALTH REIMBURSEMENT	98.00	
119490	11/1/2018	SAFETY-KLEEN CORPORATION	SHOP SUPPLIES	267.73	
119491	11/1/2018	SANTA BARBARA HOSE & SUPPLY,	BUS PARTS	101.88	
119492	11/1/2018	SB LOCKSMITHS, INC.	B&G REPAIR & SUPPLIES	295.00	
119493	11/1/2018	SILVAS OIL CO., INC.	LUBRICANTS	607.21	
119494	11/1/2018	SANTA BARBARA TROPHY	DRIVER NAME PLATES	259.26	
119495	11/1/2018	SM TIRE, CORP.	BUS TIRE MOUNTING	502.12	
119496	11/1/2018	SO. CAL. EDISON CO.	UTILITIES	9,046.65	
119497	11/1/2018	SOAP MAN DISTRIBUTIN DBA	CLEANING SUPPLIES	59.81	
119498	11/1/2018	STAPLES CONTRACT & COMMERC	OFFICE SUPPLIES	850.71	
119499	11/1/2018	SB CITY OF-REFUSE/WATER	UTILITIES	2,775.60	
119500	11/1/2018	TELCOM, INC.	VENTURA REPEATER SERVICES	1,113.75	
119501	11/1/2018	THE COUNTRY MEAT MARKET IN	VETERAN'S DAY BBQ	3,348.41	
119502	11/1/2018	TANKNOLOGY INC.	TANK TESTS	2,113.50	
119503	11/1/2018	TRUMAN ARNOLD COMPANIES (T	DIESEL FUEL	62,748.75	
119504	11/1/2018	UNITED PARCEL SERVICE, INC.	FREIGHT CHARGES	272.16	
119505	11/1/2018	J.C. M. AND ASSOCIATES INC.	UNIFORMS	1,455.94	
119506	11/1/2018	VALLEY POWER SYSTEMS, INC.	BUS PARTS	842.24	
119507	11/1/2018	WAXIE SANITARY SUPPLY DBA	JANITORIAL SUPPLIES	1,721.93	
119508	11/1/2018	YELLOW (YRC) TRANSPORTATION	FREIGHT CHARGES	150.00	

Check #	Date	Company	Description	Amount	Voids
119509	11/1/2018	ALEXANDER YOUNG	RETIREE HEALTH REIMBURSEMENT	267.71	
119510	11/9/2018	JOSE BAUTISTA	AD MOUNTING/DISMOUNTING	704.00	
119511	11/9/2018	COX COMMUNICATIONS, CORP.	INTERNET & CABLE TV	440.11	
119512	11/9/2018	EASY LIFT TRANSPORTATION, INC	VAN CAPITAL ASSISTANCE	50,000.00	
119513	11/9/2018	SHERRIE FISHER	RETIREE HEALTH REIMBURSEMENT	293.16	
119514	11/9/2018	STATE OF CALIFORNIA	PAYROLL RELATED	500.00	
119515	11/9/2018	FRONTIER CALIFORNIA INC.	TELEPHONES	98.98	
119516	11/9/2018	GUARDIAN-APPLETON (DENTAL I	DENTAL INSURANCE	4,235.52	
119517	11/9/2018	GUARDIAN-APPLETON (LIFE INS)	LIFE INSURANCE	1,160.96	
119518	11/9/2018	LABOR ALLIANCE MANAGED TRU	UNION DENTAL INSURANCE	11,519.75	
119519	11/9/2018	MEDICAL EYE SERVICES, INC.	VISION INSURANCE	456.28	
119520	11/9/2018	MIKE CUEVAS GARDENING SERVI	LANDSCAPE MAINTENANCE SERVICE	1,938.00	
119521	11/9/2018	NATIONAL DRIVE	PAYROLL DEDUCTION	48.00	
119522	11/9/2018	SB COUNTY FEDERAL CREDIT UNI	PAYROLL DEDUCTION	260.00	
119523	11/9/2018	SPECIAL DISTRICT RISK MGMENT	MEDICAL HEALTH INSURANCE	48,198.06	
119524	11/9/2018	SANTA BARBARA SHERIFF'S DEPT	PAYROLL RELATED	75.00	
119525	11/9/2018	SO. CAL. EDISON CO.	UTILITIES	892.85	
119526	11/9/2018	STATE BOARD OF EQUALIZATION	PAYROLL RELATED	250.00	
119527	11/9/2018	SB CITY OF-REFUSE/WATER	UTILITIES	1,542.75	
119528	11/9/2018	TEAMSTERS MISC SECURITY TRUS	UNION MEDICAL INSURANCE	214,536.00	
119529	11/9/2018	TEAMSTERS UNION LOCAL NO. 18	UNION DUES	10,559.40	
119530	11/9/2018	UNITED WAY OF SB	PAYROLL DEDUCTION	68.00	
119531	11/9/2018	YACO SCHOLARSHIP FUND	PAYROLL DEDUCTION	48.00	
119532	11/9/2018	TEAMSTERS PENSION TRUST	UNION PENSION	95,005.31	
				621,688.92	
			Current Cash Report Voided Checks:	0.00	
			Prior Cash Report Voided Checks:	516.36	
			Grand Total:	**$621,172.56**	

SANTA BARBARA

METROPOLITAN TRANSIT DISTRICT

FINANCIAL STATEMENTS AND

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2018

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

June 30, 2018 and 2017

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McGowan Guntermann
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
111 E. Victoria Street 2nd Floor, Santa Barbara, CA 93101, (805) 962-9175, 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 year ended June 30, 2018, 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 audits. We conducted our audits 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, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 12 and the schedule of funding progress of other post-employment healthcare plan and schedule of required contributions for defined benefit pension plan on page 35, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018, 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.

McGowan Guntermann

October 30, 2018
Santa Barbara, California

This *Management's Discussion and Analysis for Fiscal Year 2017-18* 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 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, 2018. These are followed by notes to the financial statements. A separate document, which is an integral part of this financial audit, provides certain 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, liabilities, and net position. Net position is by definition the difference between assets and liabilities.
- 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 equivalents balance.

Financial Summary

The net position of the District at June 30, 2018, which measures the amount that the District's assets exceeded its liabilities, was $44.1 million. This represents a 1% decrease from the net position at June 30, 2017. The District's net position change takes into account the results of both operational and capital activities for the year, as well as adjustments to the District's OPEB liability and expense. With revenue dedicated to operations of $25.5 million and total operating expenditures for the provision of public transit of $26.1 million (before depreciation expense), there was a $592,000 operating deficit in FY 17-18. Capital activities were comprised of asset acquisitions and disposals as well as the annual depreciation charges of the assets. The net change in the value of the District's capital assets during the year was a reduction of $1.1 million. 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 was slightly diminished as assets decreased by 1.0% while liabilities increased by 0.6% relative to FY 16-17. These accounted for the 1.3% reduction in total net position. The table on the following page is a condensed version of the *Statements of Net Position* included on page 14 of this audit report.

Assets – The $53 million in total District assets at June 30, 2018, represents a 1% decrease from the prior year. Current assets, comprised mainly of cash and receivables, declined by 1% overall. However, within current assets, there was large shift from cash and investments to receivables because FTA operating assistance and TDA capital revenue had not been received by year end. The materials inventory, composed mainly of bus parts, decreased by 8% due mainly to less restocking of parts for older bus fleets nearing retirement.

Non-current assets of $1.4 million are made up of grant funds received for operating and capital activities utilizing the funds that are not yet expended. Although such cash items are typically part of current assets, GASB standards require that advance grant monies be segregated. The funds increased by 32% in FY 17-18 due to the receipt of advance Prop 1B, LCTOP, and UCSB funds for future capital projects and marketing services. The $31.4 million value of the District's capital assets was down $1.2 million from the prior year. This is reflective of $2.6 million in newly acquired fixed assets being more than offset by depreciation expense and asset disposals. The new Deferred Outflow of Resources of $565,000 line below assets is related to the prefunding of Other Post-Employment Benefits (OPEB). It is discussed in a separate section on OPEB on page 10 of this audit report.

Statements of Net Position

(thousands of dollars)

Assets	2017-18	2016-17	Change
Current Assets	$19,184	$19,475	-1%
Non-Current Assets	1,420	1,073	32%
Capital Assets (net)	31,414	32,553	-3%
Deferred Outflows of Resources	565	0	n/a
Total Assets & Deferred Outflows	$52,583	$53,101	-1%
Liabilities			
Current Liabilities	$2,498	$2,423	3%
Non-Current Liabilities	5,968	5,995	0%
Total Liabilities	$8,466	$8,418	1%
Net Position			
Invested in Capital Assets	$31,414	$32,553	-3%
Restricted	1,420	1,073	32%
Unrestricted (includes deficit)	11,284	11,057	2%
Total Net Position	$44,118	$44,683	-1%
Total Liabilities & Net Position	$52,583	$53,101	-1%

Liabilities – Overall District liabilities of $8.5 million at year-end were up 1% from the prior fiscal year. Current liabilities, composed of trade, payroll and other short-term payables, increased by 3% to $2.5 million. The growth is associated with a rise in short-term workers' compensation liabilities representing the value of claims expected to paid within the next year.

Long-term liabilities of $6.0 million are nearly unchanged from FY 16-17. Underlying this stability are two offsetting material shifts. The estimated workers' compensation liability grew by 27% to $3.6 million whereas the liability for OPEB related to retiree health benefits was reduced 33% to $1.5 million. The large change in both items will be further discussed below.

Net Position **–** The net position of the District decreased by 1% to $44.1 million during the latest fiscal year. The basis of this change is addressed below in the section on the *Statements of Revenues, Expenses, and Changes in Net Position*. The emphasis in this section is on the three categories making up net position: investment in capital assets, restricted net position, and unrestricted net position. The first category represents the funding used for the District's capital assets less accumulated depreciation expense and matches the $31.4 value of the fixed assets. As capital assets are acquired and disposed of, the funding source(s) for the assets (e.g., State Transit Assistance) is similarly adjusted. The accumulated depreciation expense that reduces the value of fixed assets represents the diminished worth due to age and use. At June 30, 2018, capital funding of $74 million was offset by $42.6 million in depreciation for the net funding of $31.4 million.

Restricted net position corresponds to the portion of District cash and investments that are dedicated towards specific future purposes. Specifically, the $1.4 million in restricted net position is equal to the advance grant funds received that make up the previously discussed non-current assets. As discussed above, this is made up of Prop 1B and LCTOP grants. It also includes UCSB funds from the Line 28 support that have been set aside as a sinking fund for future asset replacements or upgrades associated with the service.

The District's unrestricted net position of $11.3 million is the remainder of the net position that is not invested in fixed assets or restricted for a specific use. It is generally made up of the cash and investments in current assets. The year-end unrestricted net position is $227,000 more than the prior year which resulted mainly from the year's operating deficit being more than offset by adjustments to the District's OPEB liability. Unrestricted net position is composed of the District's original non-capital assets at formation in 1969 and the aggregate of surpluses and deficits since that time. The District Board previously adopted a Cash Reserves Policy that designated the unrestricted net position as 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* differs from the traditional operating results reported to the Board in that it also includes capital revenue, depreciation expense, and OPEB liability adjustments. The emphasis of the statement is to show how all revenues and expenses lead to the change in net position for the year. For purposes of discussion, on the following page is a condensed and reordered version of the *Statements of Revenues, Expenses and Changes in Net Position* financial statement found on page 15 of this audit report.

As previously reported, the result of operations alone was a $592,000 deficit, which decreased the District's net position. The annual depreciation expense of fixed assets further reduced net position by $3.7 million. These reductions were compensated to a large degree by new capital revenue of $2.9 million as well as the OPEB adjustments that this year decreased the OPEB liability by $754,000 (the OPEB adjustment typically increases the liability but the recent prefunding of OPEB resulted in an addition to net position). Combined, these account for most of the $565,000 reduction to net position leading to the FY 17-18 ending balance of $44.1 million.

Revenues – Fare revenue of $7.0 million for FY 17-18 year was 3% less than received in the prior year. This decrease resulted from the multiyear trend of falling ridership, down 2% for the year. Fare revenue was also affected by the Thomas Fire and the Montecito Debris Flow which had a material impact on ridership in December and January. Cash fares and pass sales fell 5%, although this is an improvement from the 8% and 14% decrease in the two preceding years. Contract fares from the City of Santa Barbara, UCSB, and SBCC were nearly unchanged from FY 16-17 levels. In FY 17-18, contract fares made up 45% of total fare revenue, up from 35% five years ago.

Statements of Revenues, Expenses & Change in Net Position

(thousands of dollars)

Operating & Capital Revenue	2017-18	2016-17	Change
Fare Revenue	$6,991	$7,205	-3%
TDA Sales Tax Revenue	9,120	8,750	4%
Federal Grants	5,324	5,187	3%
Measure A Sales Tax Revenue	3,053	3,665	-17%
Miscellaneous Grants	1,790	1,528	17%
Property Tax Revenue	1,287	1,164	11%
Non-Transportation Income	853	543	57%
Total Revenues	$28,418	$28,042	1%
Operating & Capital Expenses			
Route Operations	$16,692	$15,325	9%
Vehicle Maintenance	4,942	5,135	-4%
Passenger Accommodations	1,461	1,435	2%
General Overhead	3,044	2,804	9%
OPEB Liability Adjustment	(820)	204	-502%
Capital Asset Depreciation	3,665	3,268	12%
Total Expenses	$28,983	$28,171	3%
Change in Net Position	($565)	($129)	
Beginning of Year Net Position	44,683	44,812	
End of Year Net Position	$44,118	$44,683	-1%

Transportation Development Act (TDA) sales tax revenue totaled $9.1 million for the fiscal year and was made up of SB325 Local Transportation Fund (LTF) to support operations ($7.7 million) and SB620 State Transit Assistance (STA) used to fund capital purchases ($1.5 million). In spite of the slower retail sales in FY 17-18, LTF revenue did grow by over 1% from the prior year.

The majority of the federal assistance of $5.3 million was made up of FTA Section 5307 formula operating assistance ($5.2 million), up 3% from the prior year. Federal grants also included capital assistance ($30,000) for Transit Center renovation design work and $79,000 from FEMA as reimbursement for expenses incurred due to the region's natural disasters during the year.

Locally generated Measure A sales tax revenue of $3.1 million also included both operating and capital funds. The $2.1 million for operations was up 5% over FY 16-17. The capital portion of $934,000 was the full year's allocation of funds and was used as the local share for several projects.

Miscellaneous grant revenue of $1.8 million is largely made up of UCSB support for enhanced student oriented transit services ($1.3 million). It also included the previously discussed advance payments from Prop 1B ($233,000 for ITS projects), LCTOP ($155,000 for marketing services), and UCSB ($106,000 for Line 28 sinking fund). Property tax revenue grew by 11% to $1.3 million, indicating a continued robust real estate market.

<u>Expenses</u> **–** Total expenses of $29 million include $26.1 in operating expenditures and $3.7 million for depreciation of the District's capital assets less $820,000 in OPEB adjustments. Excluding depreciation and OPEB, operating expenses were 5% greater than those incurred in FY 16-17.

Route Operations costs grew by 9% to $16.7 million. Costs increased in part due to a 2% increase in transit service hours as well as contractual wage and fringe benefit increases for represented employees. The bulk of the growth in expenditures is due to an upsurge in workers' compensation costs. The 106% increase is mainly based on large increases in third-party estimates of future payments for both new and existing claims. The payment of claims for the year was actually under budget. Partially offsetting increased risk costs, public liability expenses were 20% under budget and down 31% from last year representing a $200,000 cost decrease. Such reduced costs were to a large degree the result of evidence from the video surveillance system installed on buses.

District expenses for Vehicle Maintenance of $4.9 million declined by 4% relative to the prior year. The major factor was a large reduction in the cost of bus parts, which were down 24%. This was due to several factors: above average costs and a large write-off of obsolete inventory in the previous year; more repair work being carried out by vendors (due in part to unfilled mechanic positions discussed in the Budget Analysis); and a greater level of in-house vehicle capital improvements which added to fixed assets rather than being expensed.

Passenger Accommodations includes several functions: planning, marketing, passenger facility support, and ITS equipment maintenance. As a whole, the $1.5 million in expenditures were up 2% from FY 16-17. The budget decision to leave the planning manager position temporarily vacant contributed to a 10% savings in planning costs. With a full year of implementing the enhanced Marketing Plan begun the prior year, such costs grew by 20% as anticipated. There was also a shift of some driver supervision resources from passenger facilities toward dispatch, safety, and training due to greater needs in the latter functions.

The District incurred $104,000 in unanticipated outlays for providing evacuation and transportation services during the January Montecito debris flow and the ensuing Highway 101 closure. Most of these costs were allocated to General Overhead accounting for a large portion of the 9% increase (MTD has been fully reimbursed for these expenses, which are included as grant revenue). There was a notable rise in operating facility costs as well mainly due to aging facilities and equipment at Olive Terminal, now nearing 20 years since the site rebuild and expansion (the upcoming development of a District-wide facilities capital plan is intended to address this matter).

Budget Analysis

Operating results in the aggregate were nearly in line with the budget as both revenue and expenditures exceeded the budget by 1%. While a $438,000 deficit was projected, the end result was a funding shortfall of $592,000. A discussion of material variations from the budget follows.

FY 17-18 Operating Budget Variance
(thousands of dollars)

Revenues	Actual	Budget	Change
Fare Revenue	$6,991	$7,145	-2%
LTF Sales Tax Revenue	7,664	7,771	-1%
Federal Operating Assistance	5,215	5,082	3%
Measure A Sales Tax Revenue	2,119	2,014	5%
Property Tax Revenue	1,287	1,213	6%
Miscellaneous Grants	1,261	1,260	0%
Non-Transportation Income	1,008	836	21%
Total Revenues	$25,545	$25,322	1%
Expenses			
Route Operations	$16,692	$16,184	3%
Vehicle Maintenance	4,942	5,184	-5%
Passenger Accommodations	1,461	1,464	0%
General Overhead	3,043	2,928	4%
Total Expenses	$26,138	$25,760	1%
Operating Surplus	($592)	($438)	

Operating Revenue Budget – Fare revenue came in under budget 2% due to less cash fares and pass sales than projected. As discussed above, reduced ridership is due in large part to the natural disasters is the primary cause without which fares would likely have been on budget. LTF sales tax revenue was similarly short of expectations from the effect of the disasters on the local economy during the holiday season. Federal operating assistance exceeded projections by 3% as the result of the 2018 federal budget including more transit funding than authorized under the FAST Act, the current five-year transit funding bill. The locally generated Measure A sales tax revenue exceeded the budget by 5%. Because of a surplus prior to the mid-year economic downturn, revenue was allocated per the original Measure A budget. As previously discussed, property tax revenue exceeded expectations due to a continued strong real estate market. UCSB operating support of several routes, making up most of miscellaneous grants, was as predicted.

Operating Expense Budget – Total operating expenses of $26.1 million outpaced the budget by 1%. Given the sharp rise in workers' compensation costs, Route Operations expenditures were over budget by 3%. Limiting the impact somewhat was a reduced service level during and following the Montecito Debris Flow which lowered driver wage and benefit costs. Nonetheless, driver overtime was 20% over budget due to the continuing difficulty in filling all driver positions. Vehicle Maintenance costs were under budget by 5%. As in the recent years, the principal reason is unfilled mechanic positions. While 13 mechanic positions were budgeted, the actual level was below this most of the year and as low as nine at one point. This challenge is not limited to the District as finding skilled diesel mechanics is a nationwide occurrence. The high cost of living in the Santa Barbara area adds to the difficulty. The other factor in Vehicle Maintenance coming in under budget is the reduced expense for bus parts described previously.

Overall Passenger Accommodations costs in FY 17-18 were on budget at $1.4 million. Transit Center (TC) Passenger Facilities supervisory and customer service labor costs exceeded estimates due to increased overtime resulting from employee shortages during the 101 closure. TC repair and maintenance needs also increased due to facility age, which the upcoming TC renovation is expected to alleviate. Offsetting these, Marketing & Community Relations outlays, while up 20% from last year, were short of the aggressive budget as not all planned activities got underway. Both Transit Development and Fare Revenue Collection expenses were slightly under budget.

Expenditures for General Overhead were 4% over budget. The majority of the deviation is from the previously mentioned disaster-related costs. Similarly, operating facility costs were over budget by 7% for the same reasons such expenses grew relative to last year: an upward trending need for facilities and equipment maintenance and repairs due to aging assets. Excluding these causes, the General Overhead expenditure of $3 million was on budget.

Capital Assets

Capital asset expenditures for the year totaled $2.6 million. Revenue vehicle outlays included the replacement of hybrid bus fleet battery packs that were at the end of their useful lives. Revenue vehicle acquisitions were also composed of the purchase and improvements to the 2003 Gillig buses obtained from San Mateo Transit. This allowed for retirement of most of the remaining 1998 Nova fleet. Real-time bus information and automated bus stop announcements were initiated early in the year, the final phase of the AVL project. The year also included replacements of IT equipment including servers and the backup system. Operating facility capital costs covered completion of the Terminal One canopy renovation and the charging infrastructure for the BYD fleet. Most passenger facilities asset costs were for the TC renovation while land development capital costs were for the potential residential development of the District's Calle Real property.

Capital Acquisitions
(thousands of dollars)

Asset Category	2017-18	2016-17
Revenue Vehicles	$1,136	$1,692
Intelligent Transportation Systems	641	2,234
IT & Other Equipment	293	150
Operating Facilities	271	949
Passenger Facilities	170	259
Land Development	92	146
Total Capital Acquisitions	$2,603	$5,430

Other Post-Employment Benefits (OPEB)

In FY 16-17, the District began prefunding its OPEB liability for retiree health benefits with the establishment of a $1 million irrevocable trust dedicated to future benefit payments. The Board authorized an additional $500,000 of prefunding in FY 17-18. The District's estimated total future OPEB obligation at the end of FY 17-18—excluding any prefunding—was $2.9 million. Total prefunding at the time, including investment earnings, was $1.6 million. Thus, at year-end, the District's OPEB obligation was 54% funded. Additional OPEB prefunding is considered following each biennial actuarial valuation.

In FY 18-19, the District will begin drawing funds from the OPEB trust to cover the cost of current year retiree health benefit payouts. This will result in a full offset of the annual expense, about $70,000, helping to reduce the projected operating deficit.

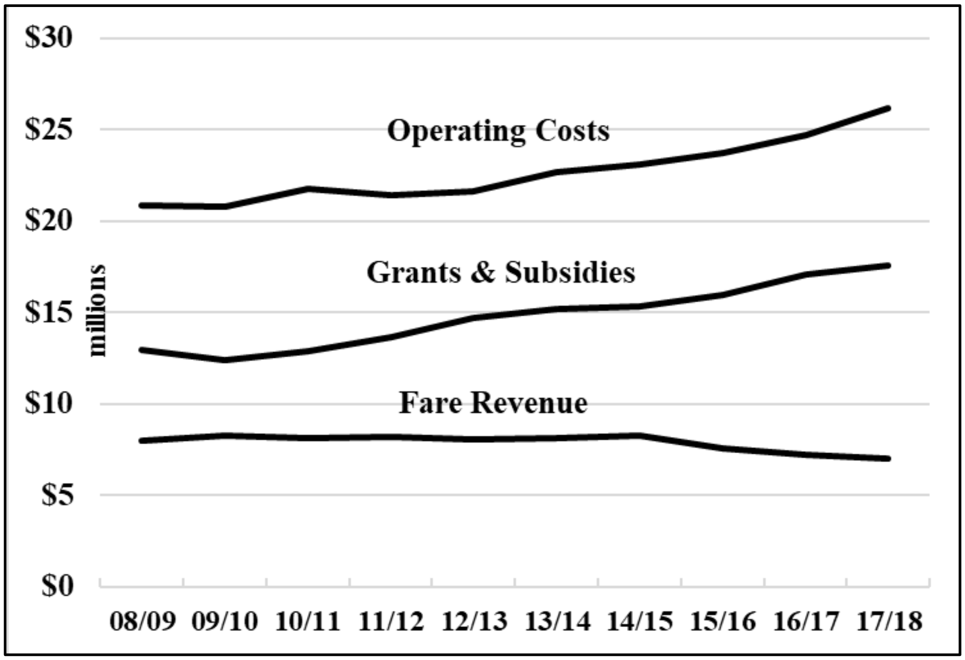
In FY 17-18, GASB 75 replaced GASB 45 as the reporting standard for OPEB obligations. One effect of the change is that the amount of the OPEB liability at year-end FY 16-17 must be adjusted upwards by $103,000. This results in a reduction of the District's net position, which is reflected as a "below the line" adjustment at the bottom of the *Statements of Revenues, Expenses, and Changes in Net Position* shown on page 15 of this audit report.

Another consequence of GASB 75 is the accounting for District's OPEB contributions made during the fiscal year. These include the OPEB prefunding ($500,000) and the retiree health benefit reimbursements paid out ($65,000). Because the measurement date for the OPEB actuarial valuation occurs on the first day of the fiscal year (i.e., July 1, 2017), GASB 75 requires that any contributions made after this date be reported as Deferred Outflows of Resources and shown separately on the *Statement of Net Position* below assets (page 14). This results in an equal increase of $565,000 in the District's net position. In FY 18-19, when the actuarial measurement date will be after the FY 17-18 contributions, the District will in a sense get credit for these contributions and the deferred outflows and net position will be reduced by $565,000. These entries are solely to reflect GASB 75 requirements and do not affect the financial well-being of the District.

Financial Outlook

Fiscal year 2017-18 required the use of $592,000 in reserves to balance the operating budget, the first deficit experienced by the District since 2004. The funding shortfall had been predicted in previous financial forecasts and was incorporated in the budget. FY 18-19 is also projected to need reserves to balance the budget. Although these deficits are limited to 2% of the budget, they are indicative of a trend discussed in recent years: the steady growth in operating costs each year from wage and price increases while fare revenue has remained relatively level (the last fare increase was in 2009). The situation has been exacerbated by three years of falling ridership which have reduced District fare revenue by $1 million since its peak in FY 14-15 (see chart on next page).

Growth in revenue from grants and other subsidies has slowed the divergence between income and expenses. Nonetheless, operating deficits are currently projected to increase in future years under the status quo. The main tools available to the District to close the funding gap are reductions in the service level and increases in transit fares. There are several new potential funding sources that



could assist in reversing this trend. Should the additional revenue be limited or not come to fruition, staff will be preparing a fare increase and/or service reduction recommendation for consideration by the Board. These new sources and other factors that could have a material effect on the District's financial condition are discussed below.

Fare Revenue – The ridership-induced reduction in fare revenue is projected to flatten out in FY 18-19 based on a significant slowing of the trend over the last two years. However, it is difficult to predict the future extent of (and reasons for) ridership changes just as it was with the initial decline three years ago. The suspected leading causes are increased vehicle ownership by lower-income households and the steep drop in fuel prices at the time. If true, the steady rise in gas prices since 2016—that has accelerated in 2018—along with rising interests rates that increase the cost of vehicle ownership may be harbingers of a ridership turnaround. Regardless of the cause, the District is continuing efforts to attract new and former passengers through service improvements, easily accessible route and bus arrival information, improved vehicle condition and cleanliness, adding air conditioning to buses, as well as increased marketing and promotional activities.

SB1 – Senate Bill 1 (SB1), the Road Repair and Accountability Act of 2017, increased state fuel taxes and vehicle fees to be used in part to improve public transit and transportation facilities. However, SB1 funding is at risk as a referendum to repeal it is included on this November's ballot. Passage of the repeal measure, Proposition 6, would go into effect immediately although revenue collected up to that time would still be dispensed. Under SB1, the District receives the new subsidies mainly through the State Transit Assistance (STA) fund and the new State of Good Repair (SGR) program. SB1 funds will first be included in the District's STA allocation in FY 18-19 adding approximately $800,000. As this represents a partial year of the new tax, the annualized incremental increase to STA revenue is estimated at $1.3 million. While serving as one of the District's key capital funding sources, STA is eligible to be used for operating purposes. The

District is also scheduled to receive $1 million in SGR funds over the next three years to assist with bus replacements. The funding was the result of a competitive process carried out by SBCAG to allocate SGR funds estimated to be available over the next four years.

Federal Funding – The five-year Fixing America's Surface Transportation Act (FAST Act) is effective through FY 19-20. The FAST Act provides the District Section 5307 formula funding which grew 1% to 2% the first three years. A portion of the funds are set aside for transit agencies, including the District, that meet specific performance criteria under the Small Transit-Intensive Cities (STIC) program. STIC funding is scheduled to grow substantially in FY 18-19 under the FAST Act which would increase the District's overall FTA 5307 funds by about 10% or nearly $500,000. The higher STIC level is included in the last year of the bill as well. FAST Act funding is subject to the annual appropriations process and the approved levels could vary considerably. Looking further ahead, due to population growth in the South Coast, the 2020 census will likely result in the District shifting from a Small Urbanized Area to a Large Urbanized Area as defined by the FTA. Based on the current funding allocation process, this could result in up to a 25% reduction in federal operating assistance. This is a $1.3 million loss based on the FY 17-18 funding level. Any such change would likely not take effect until FY 21-22.

Collective Bargaining Agreement – The current collective bargaining agreement with the Teamsters expires in June, 2019. The agreement covers the three-year period from FY 16-17 through FY 18-19. It includes annual wage increases ranging between 2% and 2.5% and health benefit growth of up to 6.3% each year (wages and benefits account for 72% of the District's total operating costs). Negotiations for the new contract are expected to begin in early calendar 2019.

STA Funding Balance – STA funds allocated to the District each year are held by the Santa Barbara County Auditor-Controller until the funding is required for capital projects. As such, the unspent balance is not included in the District's financial statements. As of June 30, 2018, accumulated STA funds totaled $9.1 million. Measure A capital funds are handled in a similar fashion, although they are typically expended in the year of allocation with no balance held by the County. Such is the case at the end of FY 17-18.

CARB ICT – Currently under consideration by the California Air Resources Board (CARB) is an Innovative Clean Transit (ICT) regulation that would require complete transition to a zero emission bus (ZEB) fleet by 2040. The present draft requires a ZEB Rollout Plan by 2020 that demonstrates how the agency would plan for ZEB purchases, infrastructure buildout, and associated financial planning and workforce training. CARB would require that starting in 2023, 25% of annual bus purchases include ZEBs, increasing to 50% in 2026 and 100% in 2029. At present, ZEBs are significantly more expensive than diesel buses and require charging infrastructure, although there are incentives and rebates, such as California's HVIP program, that can reduce prices. The cost difference is also expected to narrow as the manufacturing capacity of ZEBs increases.

Facilities Master Plan – The District's operating and maintenance facility in downtown Santa Barbara is at capacity affecting efficiency, inhibiting expansion, and limiting electric vehicle infrastructure. Similarly, the Transit Center, the District's main passenger hub, is insufficient for the volume of buses and passengers traffic it manages. To assess these conditions, develop recommendations, and estimate funding requirements, a facilities master plan is being prepared.

BYD EV Acquisition – The contract for 14 thirty-foot BYD electric buses, scheduled for completion in FY 17-18, has been delayed and remains in progress. Six of the ZEBs are being obtained under a capital lease due to previous uncertainty regarding the need for all 14 vehicles. Annual lease payments of $343,000 for the six buses would be capitalized and not affect operating costs. There is an option to buy the buses before the end of the lease period.

Calle Real Development – Progress continued on the potential development of the District's 19 acres of real property bordering Calle Real between San Antonio Road and Turnpike Road. During FY 17-18, the District's permitting and project management consultants prepared several preliminary technical reports and assisted in preparing and releasing a request for qualifications and proposals for selecting a team for the potential residential development of the property.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

STATEMENT OF NET POSITION
June 30, 2018
With Comparative Totals as of June 30, 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and investments	$ 10,593,085	$ 13,506,281
Grants receivable	6,783,224	4,385,917
Other receivable	414,369	182,933
Materials and supplies inventories	1,085,763	1,185,017
Other current assets	307,364	214,706
Total Current Assets	19,183,805	19,474,854
NON-CURRENT ASSETS		
Cash restricted for capital support	1,419,918	1,072,509
Capital assets:		
Tangible transit operating property	73,906,721	72,003,279
Less: Accumulated depreciation	(42,492,600)	(39,449,828)
Capital Assets, net	31,414,121	32,553,451
Total Non-Current Assets	32,834,039	33,625,960
Total Assets	52,017,844	53,100,814
DEFERRED OUTFLOWS OF RESOURCES		
Related to other post-employment benefits	565,645	-
ASSETS AND DEFERRED OUTLOWS OF RESOURCES	$ 52,583,489	$ 53,100,814

LIABILITIES AND NET POSITION

	2018	2017
CURRENT LIABILITIES		
Accounts payable	$ 420,595	$ 396,492
Accrued payroll including compensated absences	982,669	976,924
Accrued expenses	1,094,306	1,050,165
Total Current Liabilities	2,497,570	2,423,581
NON-CURRENT LIABILITIES		
Compensated absences payable	760,404	784,496
Accrued damage, injury, and employee claims	3,675,465	2,924,149
Accrued OPEB obligation	1,532,148	2,286,000
Total Non-Current Liabilities	5,968,017	5,994,645
Total Liabilities	8,465,587	8,418,226
NET POSITION		
Net investment in capital assets	31,414,121	32,553,451
Restricted	1,419,918	1,072,509
Unrestricted	11,283,863	11,056,628
TOTAL NET POSITION	44,117,902	44,682,588
TOTAL LIABILITIES AND NET POSITION	$ 52,583,489	$ 53,100,814

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 Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

	2018	2017
OPERATING REVENUE, NOT INCLUDING LOCAL AND FEDERAL ASSISTANCE		
Passenger fares	$ 6,990,786	$ 7,205,296
OPERATING EXPENSES		
Route operations	16,692,160	15,325,341
Vehicle maintenance	4,941,543	5,135,127
Passenger accomodations	1,460,877	1,434,538
General overhead	2,977,516	2,744,569
Postemployment health care benefits	(856,778)	263,133
Total before Depreciation	25,215,318	24,902,708
Depreciation	3,664,721	3,268,571
Total Expenses	28,880,039	28,171,279
OPERATING LOSS	(21,889,253)	(20,965,983)
NON-OPERATING REVENUE		
Non-transportation revenue, including interest, advertising, rent and miscellaneous	930,757	727,635
Taxes levied by Santa Barbara County for Transit District	1,287,046	1,163,728
Transportation Development Act funding and allocations	9,120,243	8,749,611
Federal grants	5,324,242	5,186,651
Proposition 1B grants	233,321	330,223
Measure A grants	3,052,897	3,665,155
Miscellaneous grants	1,557,040	1,197,693
Loss on disposal of assets	(78,053)	(184,593)
Total Non-Operating Revenue	21,427,493	20,836,103
CHANGE IN NET POSITION	(461,760)	(129,880)
BEGINNING OF YEAR NET POSITION	44,682,588	44,812,468
GASB 75 adjustment - Note 14	(102,926)	-
END OF YEAR NET POSITION	$ 44,117,902	$ 44,682,588

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

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

STATEMENT OF EXPENSES
For the Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

	2018	2017
LABOR		
Operators' wages	$ 7,511,466	$ 7,280,899
Other salaries and wages	4,308,873	4,158,252
Total Labor	11,820,339	11,439,151
FRINGE BENEFITS		
Payroll taxes	1,061,144	1,016,530
Retirement plans	1,390,693	1,341,470
Health and welfare	2,019,713	3,001,814
Workers compensation	1,698,059	858,252
Sick pay	198,735	245,428
Holiday pay	402,032	386,250
Vacation pay	786,522	769,571
Other paid absences	199,206	109,381
Uniforms and tool allowances	105,133	68,772
Total Fringe Benefits	7,861,237	7,797,468
SERVICES		
Professional and technical including directors' fees	423,242	589,753
Outside services	137,513	97,914
Contract maintenance services	400,220	372,455
Promotion and printing	218,745	186,964
	1,179,720	1,247,086
MATERIALS AND SUPPLIES		
Fuels and lubricants	1,522,639	1,530,123
Tires and tubes	165,888	162,044
Bus parts	565,771	782,915
Other materials and supplies	247,113	185,139
Electric bus power	91,983	64,656
Total Material and Supplies	2,593,394	2,724,877
UTILITIES AND TELEPHONE	244,051	211,382
CASUALTY AND LIABILITY COSTS	347,591	349,552
PURCHASED TRANSPORTATION	869,058	951,100
MISCELLANEOUS EXPENSES		
Dues and subscriptions	52,785	52,997
Travel, meetings and training	14,634	31,209
Purchased media	11,504	2,500
Other miscellaneous expenses	221,005	95,386
Total Miscellaneous Expenses	299,928	182,092
Total Expenses before Depreciation	25,215,318	24,902,708
DEPRECIATION	3,664,721	3,268,571
TOTAL EXPENSES	$ 28,880,039	$ 28,171,279

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

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

	2018	2017
CASH FLOWS FROM OPERATIONS		
Receipts from transit customers	6,961,455	7,202,464
Payments to suppliers and vendors	(4,840,755)	(7,060,981)
Payments to employees/benefits	(21,121,424)	(20,000,066)
NET CASH USED BY OPERATING ACTIVITIES	(19,000,724)	(19,858,583)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	13,299,549	13,727,179
Non-transportation revenue, including advertising, rental and miscellaneous	921,001	600,793
Taxes levied by Santa Barbara County	1,287,046	1,163,728
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	15,507,596	15,491,700
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(2,603,444)	(5,430,467)
State of California Prop 1B grant advance	233,321	330,223
State of California LCTOP grant advance	154,541	-
UCSB grant advance	106,481	101,334
Federal, state and local capital grants received	2,947,968	2,487,034
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	838,867	(2,511,876)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	88,474	26,568
NET CASH PROVIDED BY INVESTING ACTIVITIES	88,474	26,568
NET DECREASE IN CASH AND EQUIVALENTS	(2,565,787)	(6,852,191)
CASH AND EQUIVALENTS BEGINNING OF YEAR	14,578,790	21,430,981
END OF YEAR	$ 12,013,003	$ 14,578,790
Cash and equivalents	$ 10,593,085	$ 13,506,281
Cash restricted for capital support	1,419,918	1,072,509
TOTAL CASH AND EQUIVALENTS	$ 12,013,003	$ 14,578,790

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

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

STATEMENTS OF CASH FLOWS (CONTINUED)
For the Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017

	2018	2017
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	$ (21,889,253)	$ (20,965,983)
Charges to cost of service not requiring current expenditure of cash:		
Depreciation	3,664,721	3,268,571
Loss on disposal of assets	78,053	184,593
Changes in:		
Other receivable - excluding grants	(231,436)	(3,216)
Materials and supplies inventories	99,254	88,858
Other current assets	(92,658)	66,635
Accounts payable and accrued expenses net of capital acquisitions	65,794	(1,428,521)
Compensated absences payable	(24,092)	(22,193)
Accrued damage, injury, and employee claims	751,316	(251,327)
Other post-retirement benefit liabilities and related deferrals	(1,422,423)	(796,000)
NET CASH USED BY OPERATING ACTIVITIES	$ (19,000,724)	$ (19,858,583)

The accompanying notes are an integral part of these basic 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. The District has evaluated subsequent events through October 30, 2018, which is the date the financial statements were available to be issued.

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.

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 2018 and 2017 were $2,603,444 and $5,430,467, 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, which 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

Note 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The District accrues for vested vacation pay when it is earned by employees. The amount of vested vacation pay accrued as of June 30, 2018 and 2017 was $846,938 and $874,313, 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 2018 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, 2018, the District implemented the following new GASB Pronouncements:

GASB Statement No.75 – In June 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.

Note 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's agent multiple employer defined benefit OPEB plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time purchase of one year or less, which are reported at cost.

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 are 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).

Upcoming Government Accounting Standards Implementation:

- Statement No. 84 "Fiduciary Activities" The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions of this statement are effective for reporting periods beginning after December 15, 2018.

- Statement No. 87 "Leases" The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The provisions of this statement are effective for reporting periods beginning after December 15, 2019.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3 – CASH AND INVESTMENTS

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

	2018,	2017
Cash and cash equivalents	$10,593,085	$13,506,281
Cash and cash equivalents restricted for capital support	1,419,918	1,072,509
Total cash and investments	$12,013,003	$14,578,970

Cash, cash equivalents, and investments consisted as follows on June 30, 2018 and 2017:

	Measure-ment Input	Fair Value 2018	2017
Cash and cash equivalents			
Demand deposits	N/A	5,545,867	$11,410,057
Local Agency Investment Fund (LAIF)	N/A	6,647,136	3,379,585
Total cash, cash equivalents, and investments		$12,013,003	$14,789,642

The District does not have a formal investment policy that limits its ability to invest its funds.

Demand Deposits

As of June 30, 2018, the carrying amount of demand deposits was $5,545,867 and the bank balance was $11,973,138 compared to $11,410,057 and $14,539,829 at June 30, 2017, 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.

Note 3 – CASH AND INVESTMENTS – continued

- 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 District had $6,467,136 and $3,379,585 invested in LAIF, at June 30, 2018 and 2017, respectively. They were invested in the pooled investment funds in structured notes and asset-backed securities at 2.67% and 2.89% at June 30, 2018 and 2017, respectively. The LAIF fair value factor of .998126869 and .998940671 at June 30, 2018 and 2017 was used to calculate the fair value of the investments in LAIF. The financial statements for LAIF are available at http://www.treasurer.ca.gov/pmia-laif/laif.asp

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, 2018, the District had $858,042 of Prop 1B-PTMISEA cash restricted for use in Transit Center projects and $233,325 of Prop1B-TSC cash restricted for use in ITS projects. LCTOP cash restricted for marketing expenses was $120,735. The District also had $207,815 of UCSB cash restricted for future capital asset replacements or upgrades associated with Line 28 service.

Note 4 – RECEIVABLES

Grants receivable at June 30, 2018 and 2017, are summarized as follows:

	2018	2017
Federal Transit Administration	$ 5,215,206	$ 2,266,318
State Transit Assistance Fund (SB 620)	1,455,881	1,193,622
Other grants	112,137	925,977
	$ 6,783,224	$ 4,385,917
Other receivables are as follows		
Trade receivables	$414,369	$182,933

Note 5 – CAPITAL ASSETS

Changes in transit operating property during the years ended June 30, 2018 and 2017 are as follows:

	Beginning of Year	Additions	Reclassification	Disposals	End of Year
June 30, 2018					
Capital assets not depreciated					
Land	$ 5,596,296	$ -	$ -	$ -	$ 5,596,296
Work in process	5,362,858	784,066	(4,828,204)	(2,915)	1,315,805
Capital assets depreciated					
Buildings	13,119,407	261,508	1,190,276	(1,885)	14,511,788
Buses	42,804,254	1,169,171	3,593,610	(652,960)	46,911,549
Other equipment	5,120,462	391,410	44,318	(44,955)	5,571,279
	$ 72,003,277	$ 2,606,155	$ -	$ (702,715)	$ 73,906,717
June 30, 2017					
Capital assets not depreciated					
Land	$ 5,596,296	$ -	$ -	$ -	$ 5,596,296
Work in process	3,789,598	1,913,154	(117,562)	(222,332)	5,362,858
Capital assets depreciated					
Buildings	12,973,238	90,324	57,518	(1,673)	13,119,407
Buses	42,707,117	2,993,677	60,044	(2,956,584)	42,804,254
Other equipment	4,654,061	533,312	-	(66,911	5,120,462
	$ 69,720,310	$ 5,530,467	$ -	$ (3,247,500)	$ 72,003,277

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 the advancement of grant funding for capital and operating use. Grant sources are State of California, Prop 1B, LCTOP and UCSB (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:

	2018	2017
Federal grants	$ 31,413	$ 120,804
State grants (Prop 1B)	113,232	2,582,156
Local assistance – sales tax	2,389,711	2,717,789
Miscellaneous grants	69,088	9,717
Net grants received	$ 2,603,444	$5,430,467

Note 7 – TRANSPORTATION DEVELOPMENT ACT FUNDING AND ALLOCATIONS

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

	2018	2017
Funding		
Local Transportation Fund (SB 325)	$7,664,362	$7,555,989
State Transit Assistance Fund (SB 620)	1,455,881	1,193,622
	$ 9,120,243	$8,749,611
Usage		
Operations	$7,664,362	$7,555,989
Capital projects	1,455,881	1,193,622
	$ 9,120,243	$8,749,611

Note 8 – FEDERAL GRANTS AND REIMBURSEMENTS

Federal grants and reimbursements for the year ended June 30:

	2018	2017
FTA		
Operating grants	$ 5,292,829	$5,065,847
Capital grants	31,413	120,804
Total	$ 5,324,242	$5,186,651

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, 2018 and 2017, were $846,938 and $874,313 respectively. The current portion is expected to be used within one year. Accrued sick pay vested in fiscal years ending June 30, 2018 and 2017 were $422,815and $446,860 respectively.

Note 9 – CHANGE IN COMPENSATED ABSENCES (continued)

The changes in accrued vacation pay were as follows:

	2018	2017
Beginning balance	$ 874,313	$ 838,772
Additions	687,981	708,045
Payments	(715,356)	(672,504)
Ending balance	846,938	874,313
Current portion	429,906	458,141
Noncurrent portion	$ 417,032	$ 416,172

Accrued sick pay is summarized as follows:

	2018	2017
Total accrued sick pay	$ 1,458,166	$1,411,865
Amount of sick pay not vested, in accordance with the union agreement and District policy	(1,035,351)	(965,005)
Total accrued sick pay vested and included in accrued payroll	$ 422,815	$ 446,860

Note 10 – RETIREMENT PLANS

Two employee groups are covered, with expenses as follows:

Employee Group	Plan names	2018	2017
1. Union	Teamsters Union	1,150,642	$1,105,477
2. Non-Union	Profit-Sharing and Salary Deferral Plan	240,051	235,994
		$ 1,390,694	$1,341,471

TEAMSTERS PENSION PLAN

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

	2018	2017
Total union labor	$11,842,263	$11,456,849
Required work hour contribution (up to 173.33 hours per month)	$3.38	$3.33
Total pension hours	343,093	331,529
Accrued pension	$ 92,200	$94,263

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 2018, 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, 2016 through June 30, 2019. In 2018 there were 169 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 2018, the employer's required contribution was approximately $1.2 million. Based on the agreement, there are no minimum contributions required for future periods. For fiscal year 2018 the pension payable was $92,200 since the payment for June 2018 occurred after the fiscal year end.

Note 10 – RETIREMENT PLANS (continued)

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 2018 were based upon a payroll of $2,400,513 for non-union employees. The District contributed $240,051 (10% of covered payroll) and covered employees contributed $251,455.

The District's contributions for fiscal year 2017 were based upon a payroll of $2,359,941 for non-union employees. The District contributed $235,994 (10% of covered payroll) and covered employees contributed $246,874.

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, 2019	$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.

Note 11 – RISK MANAGEMENT (continued)

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

	2018	2017
Claims liability – beginning of year	$ 3,730,298	$ 3,987,142
Claims and changes in estimates	1,278,410	488,929
Actual claim payments	(420,459)	(745,773)
Claims liability – end of year	$ 4,588,249	$ 3,730,298

Note 12 – COMMITMENTS

Paratransit Service – Easy Lift

For fiscal year 2018, the District has agreed to provide Easy Lift a subsidy of $869,058 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. If for any reason, Easy Lift failed to provide the required ADA paratransit service, the District would continue to be responsible for the service under Federal law. The District would be required to implement a replacement service on very short notice, at a cost that would likely exceed the current subsidy.

The District is required under Federal law, the Americans with Disabilities Act of 1990 (ADA), to ensure that complementary paratransit service is available wherever and whenever the District provides fixed-route bus service. The District complies with this requirement by partially subsidizing the paratransit service provided by Easy Lift Transportation. The District signed a contract with Easy Lift in April 2016, which was amended in June 2018, for these services. The District, by written notice may terminate this contract, in whole or in part, when it is in its best interest.

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.

Note 12 – COMMITMENTS – continued

For fiscal year end June 30, 2018, the rates paid by the District for contractual amounts are as follows:

Gilligs	$.046601
BYD	$.060786
Gilligs	$.060786
Novas	$.063826
Novas – Articulated	$.083076

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.

Note 14 - NEW ACCOUNTING PRONOUNCEMENTS

As part of implementing the requirement of GASB Statement 75, the District adjusted its beginning net position as of July 1, 2017.

The impact of implementation on the beginning net position is summarized as follows:

Net position at July 1, 2017, as previously stated	$ 44,682,588
Implementation of GASB Statement No. 75, net OPEB liability as of measurement date of July 1, 2017	(102,926)
Net Position at July 1, 2017, as restated	$ 44,579,662

In accordance with GASB Statement No. 75, the statement of all deferred outflows and inflows was not practical, and therefore not included in the restatement of the beginning balance.

Note 15 – DEFINED BENEFIT POST-EMPLOYMENT HEALTH BENEFIT PLAN

Plan Description

The District provides “other” post-employment health benefits (OPEB) 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. Employees hired under the CBA after March 1, 2014 are excluded from the plan. A policy change will go into effect in fiscal year 2019 resulting in the establishment of a sunset date for OPEB benefits for non-union employees. All non-union employees hired on or after July 1, 2018 will be excluded from the plan.

Employees Covered

As of the July 1, 2017, which is the most recent actuarial valuation, the following current and former employees were covered by the benefit terms under the District’s Plan:

Active employees	173
Inactive employees or beneficiaries currently receiving benefits	26
Inactive employees entitled to, but not yet receiving benefits	-
Total	199

Funding Policy and Annual OPEB Cost

The Plan has been funded on a pay-as-you-go basis since inception. During fiscal year 2017, the District joined the California Employers Retirement Benefit Trust (CERBT) to begin prefunding its OPEB obligation. CERBT is an irrevocable Section 115 trust fund dedicated to prefunding OPEB for all eligible California public agencies and is managed by CalPERS. At the time of inception, the District elected to establish the trust with a $1,000,000 contribution. In fiscal year 2018, an additional $500,000 contribution to the trust was made. Funding is not based on actuarially determined contributions and contributions are neither statutory nor contractually established. Current policy does not obligate the District to further fund its OPEB obligation. Beginning in fiscal year 2019, the District will begin drawing funds from the OPEB trust to cover the cost of current year retiree health benefit payouts.

The District's annual other post-employment benefit 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 75 beginning in fiscal year 2018. The ARC represents the normal cost and amortization of unfunded actuarial liabilities over 30 years.

Note 15 - DEFINED BENEFIT POST-EMPLOYMENT HEALTH BENEFIT PLAN (continued)

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation.

Actuarial assumptions. The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified:

Inflation	3.0%
Salary increase	3.0%
Investment rate of return	6.7%
Healthcare cost trend rates	
Medicare Advantage	16% for 2017, 6.5% for 2018 and decreasing ratably to 4.5% for 2026 and later years
Medicare Supplement	5.7% for 2017, decreasing ratably to 4.5% for 2026 and later years
Dental	4.5% for 2017, static through 2026 and later years

Mortality rates were based on the 1997-2011 CalPERS Experience Study for Miscellaneous Employees, with adjustments for generational mortality projections using scale MP-2016.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 – June 30, 2017.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40%	Unavailable
Fixed Income	39%	Unavailable
Treasury Inflation-Protected Securities	10%	Unavailable
Real Estate Investment Trusts	8%	Unavailable
Commodities	3%	Unavailable
Total	100%	6.7%

Note 15 - DEFINED BENEFIT POST-EMPLOYMENT HEALTH BENEFIT PLAN (continued)

Discount Rate. The discount rate used to measure the total OPEB liability was 6.7%. The rate was based on long-term expected rate of return for CERBT Strategy 2 determined by CalPERS. Prior to the most recent measurement date and establishment of the OPEB trust, the discount rate was 5%.

Changes in the OPEB Liability

The changes in the net OPEB liability for the are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(c) = (a) – (b)
Balance at 6/30/2017	$2,388,926	$ 0	$ 2,388,926
Changes Recognized for the Fiscal Year:			
Service Cost	43,930	N/A	43,930
Interest on the Total OPEB Liability	161,053	N/A	161,053
Changes of Benefit Terms	0	N/A	0
Differences Between Expected and Actual Experience	(7,884)	N/A	(7,884)
Changes of Assumptions	0	N/A	0
Benefit Payments	(59,133)	(59,133)	0
Contributions from the Employer	N/A	1,059,133	(1,059,133)
Contributions from the Employee	N/A	0	0
Net Investment Income	N/A	(5,256)	5,256
Administrative Expense	N/A	0	0
Net Changes	137,966	994,744	(856,778)
Balance at 6/30/2018 (Based on 6/30/2017 Measurement Date)	$2,526,892	$ 994,744	$ 1,532,148

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the fiscal year ending June 30, 2018.

	1% Decrease (5.70%)	Current Rate (6.70%)	1% Increase (7.70%)
Total OPEB Liability	$2,881,619	$2,526,892	$2,233,151
Plan Fiduciary Net Position	994,744	994,744	994,744
Net OPEB Liability	$1,886,875	$1,532,148	$1,238,407

Note 15 - DEFINED BENEFIT POST-EMPLOYMENT HEALTH BENEFIT PLAN (continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using a health care cost trends that are on percentage point lower or one percentage point higher than the trend rate, for the measurement period ended June 30, 2018

	1% Decrease	Trend Rate	1% Increase
Total OPEB Liability	$2,196,589	$2,526,892	$2,934,843
Plan Fiduciary Net Position	994,744	994,744	994,744
Net OPEB Liability	$1,201,845	$1,532,148	$1,940,099

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of $205,158. As of the fiscal year ended June 30, 2018, the District reported deferred outflows of resources related to OPEB contributions Made in Fiscal Year Ending 06/30/2018 (after measurement date) of $565,645.

The $565,645 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows for resources related to OPEB will be recognized as expense as follows:

Year End June 30:

2019	$175
2020	175
2021	175
2022	176
2023	(876)
Total Thereafter	$(2,628)

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

Required Supplementary Information

Schedule – Changes in the Net OPEB Liability and Related Ratios	2018
Total OPEB Liability	
Service Cost	$ 43,930
Interest Cost	161,053
Changes of Benefit Terms	0
Differences Between Expected and Actual Experiences	(7,884)
Changes of Assumptions	0
Benefit Payments	(59,133)
Net Change in Total OPEB Liability	$ 137,966
Total OPEB Liability (Beginning)	2,388,926
Total OPEB Liability (Ending)	$ 2,526,892
Plan Fiduciary Net Position	
Contributions - Employer	$ 1,059,133
Contributions - Member	0
Net Investment Income	(5,256)
Benefit Payments	(59,133)
Administrative Expense	0
Other	0
Net Change in Plan Fiduciary Net Position	$ 994,744
Plan Fiduciary Net Position (Beginning)	0
Plan Fiduciary Net Position (Ending)	$ 994,744
Net OPEB Liability (Ending)	$ 1,532,148
Net Position as a Percentage of OPEB Liability	39.37%
Covered-Employee Payroll	$ 10,346,378
Net OPEB Liability as a Percentage of Payroll	14.80%

Notes to Schedule:

Changes in assumptions - The discount rate was changed from 5.00 % to 6.70 % for the measurement period ended June 30, 2017.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future year’s information will be displayed up to ten years as information becomes available.

A Schedule of Contributions is not required because funding is not based on actuarially determined contributions and contributions are neither statutory nor contractually established.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

COMPLIANCE REPORTS

JUNE 30, 2018

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

JUNE 30, 2018

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McGowan Guntermann
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
111 E. Victoria Street 2nd Floor, Santa Barbara, CA 93101, (805) 962-9175, 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, 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 30, 2018.

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.

McGowan Guntermann

October 30, 2018
Santa Barbara, California

McGowan Guntermann
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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, 2018.

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 on each of the District's compliance requirements referred to in Section 6667, which requires that for a transit claimant, the independent auditor will 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 District for the year ended June 30, 2018.

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, 2018, all Proposition 1B funds received and expended were verified in the course of our current and previous audits as follows:

	PTMISEA	OHS	Total
Unexpended proceeds July 1, 2017	$ 970,248	$ 106,341	$ 1,076,589
For the year ended June 30, 2018:			
Proceeds received	-	233,321	233,321
Interest earned	97	6	103
Expenditures	(24,008)	(106,344)	(130,352)
Unexpended proceeds – yearend	$ 946,337	$ 233,324	$ 1,179,661

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 District's compliance with the applicable bond act and state accounting requirements.

McGowan Guntermann

October 30, 2018
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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2018.

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.

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 30, 2018, 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.

McGowan Guntermann

October 30, 2018
Santa Barbara, California

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF TRANSPORTATION –			
Federal Transit Administration			
Federal Transit Cluster			
Operating Grant	20.507	CA-2018-059-00	$ 5,215,206
Capital Grant	20.507	CA-04-068-02	30,114
Total Federal Transit Cluster			5,245,320
US DEPARTMENT OF HOMELAND SECURITY			
Federal Emergency Management Agency			
Public Assistance Grants	97.036	FEMA – 4353 – DR – CA, Cal OES ID: 083-91060	78,922
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 5,324,242

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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, 2018, 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, 2018

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unmodified**
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? **No**
Type of auditor's report issued on compliance for major programs: **Unmodified**
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? **No**

Identification of major programs:

CFDA Number	*Name of Federal Program or Cluster*	Expenditures
20.507	U.S. DEPARTMENT OF TRANSPORTATION	
	Federal Transit Cluster	$ 5,245,320

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

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

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Section II—Federal Award Findings and Questioned Costs

There were no findings nor questioned costs during the year ended June 30, 2018.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Section III—Federal Award Findings and Questioned Costs

2017-1

U.S. DEPARTMENT OF TRANSPORTATION	CFDA	Award number
Operating Grant	20.507	CA-2017-015-01

Criteria –- Conduct 80% of vehicle preventative maintenance on schedule.

Prior Condition– Preventive maintenance must be performed on FTA-funded vehicles according to the manufacturer's recommendation, and the grantee must conduct at least 80 percent of these preventive maintenance intervals on time according to FTA C. 5010.1E. A sample of three buses conducted for the District's 2017 Triennial Review indicated 31 percent were completed on time.

Corrective Action – Recent difficulty in maintaining budgeted number of mechanic positions necessitated temporarily increasing the bus manufacturer's oil change interval. Additional mechanics have been hired. The District has since submitted data to the FTA that included all 66 FTA-funded buses reflecting three consecutive months of compliance with FTA requirements. This finding was closed by the FTA on October 3, 2017.

Status Update – As indicated last year in the Corrective Action for the finding, the District reverted back to the bus manufacturer's oil change interval and complied with it for the first three months of FY 17-18, the year under audit. Practices and conditions in the Maintenance Department have not altered since then.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Section III—Federal Award Findings and Questioned Costs

2017-2

U.S. DEPARTMENT OF TRANSPORTATION	CFDA	Award number
Operating Grant	20.507	CA-2017-015-01

Criteria – Maximum 20 percent bus spare ratio

Condition – The number of spare buses in the active fleet for recipients operating 50 or more fixed-route revenue vehicles should not exceed 20 percent of the number of vehicles operated in maximum fixed route service according to FTA C. 5010.1E. The District had 106 revenue service vehicles during the year ended June 30, 2017. The number of vehicles required for maximum service was 87, which gave the District 19 spare vehicles. This resulted in a spare ratio of 22 percent, which is above the FTA's threshold of 20 percent.

Corrective Action – The District held two buses causing the spare ratio to exceed 20% in anticipation of being asked by the Metropolitan Planning Organization (MPO) to implement a "last mile" service for planned commuter rail service. This service would utilize two buses during the peak period which would result in a spare ratio below 20%. The District submitted to the FTA Region IX Office a plan for reducing the spare ratio to 20 percent. The plan included a spreadsheet listing for each bus type; the number of buses, the number of buses to be disposed of, the number of buses to be added, the projected peak requirement, and the projected spare ratio. The plan demonstrated that the spare ratio would not exceed 20 percent by August 2017. This finding was closed by the FTA on June 30, 2017.

Status Update – The provision of District transit service for the commuter rail service discussed in the corrective action for the finding took place, increasing the peak service need such that the 20% spare ratio was met. The District is currently in a transition period for the replacement of two sub-fleets of buses temporarily bringing the spare ratio back above 20%. Once the newer fleets are accepted, the older fleets will be retired and the 20% spare ratio requirement will again be met.

BOARD OF DIRECTORS REPORT

MEETING DATE:	NOVEMBER 20, 2018	**AGENDA ITEM: #8**
DEPARTMENT:	OFFICE ADMINISTRATION	
TYPE:	ACTION ITEM	
PREPARED BY:	JERRY ESTRADA	______________________ *Signature*
REVIEWED BY:	GENERAL MANAGER	______________________ *Signature*
SUBJECT:	100% ZERO EMISSION FLEET BY 2030 GOAL	

RECOMMENDATION:

Staff recommends that the Board of Directors consider adopting a goal to achieve a 100% zero emission (ZEB) fleet by 2030.

DISCUSSION:

MTD has been a leader in reducing air pollution and global warming pollution through the implementation of its alternative fuel buses led by its nearly 30-year Electric Vehicle Fleet program.

The California transit bus industry is on a path toward complete electrification of its fleets as the California Air Resources Board (CARB) is currently considering the proposed Innovative Clean Transit (ICT) regulation. The proposed regulation will return to CARB for possible adoption early in 2019.

Recently, MTD was urged by the local Sierra Club and Community Environmental Council to consider setting a goal to fully transition to a zero emission fleet by 2030. In doing so, it would join a number of transit agencies across California in committing to early adoption of fleet electrification.

MTD's bus fleet is the largest in Santa Barbara County, and annually transports 80% of all public transit rides in the County. Setting a goal for early adoption of full electrification of the MTD fleet, which promises public health, environmental, and, potentially, operational benefits would be in keeping with MTD's tradition of environmental stewardship.

The proposed 100% zero emission fleet goal by 2030 is aggressive and significantly exceeds the regulation currently being considered by CARB. Setting such a goal will certainly challenge the agency to manage the adoption of a zero emission fleet as to not hinder its public service commitments, which is MTD's primary mission. The challenges to achieving such a lofty goal should not be underestimated but nor should the agency's commitment to reaching the goal if that is the Board's inclination.

The proposed ICT regulation includes the following elements regarding the transition to a ZEB fleet by 2040:

1) ZEB Rollout Plan.

Each transit agency would be required to submit a ZEB Rollout Plan approved by its governing board that demonstrates how the agency plans for ZEB purchase, infrastructure buildout, and associated financial planning and workforce training. The ZEB Rollout Plan would be due by July 1, 2020, for a large transit agency, and by July 1, 2023 for a small transit agency. (The definition of large vs. small transit agency is uncertain. Staff makes the conservative assumption that the Santa Barbara Metropolitan Transit District (MTD) will be classified as a large transit agency.)

2) ZEB purchase requirements.

A large transit agency would be required to purchase ZEBs according to the following schedule:

- Starting January 1, 2023, 25% of annual new buses purchased.
- Starting January 1, 2026, 50% of annual new buses purchased.
- Starting January 1, 2029, 100% of annual new buses purchased.

ATTACHMENT:

- Attachment 1 – SBMTD ZEB GOAL

Santa Barbara Metropolitan Transit District

100% Zero Emission Fleet by 2030 Goal

The Santa Barbara Metropolitan Transit District (MTD) has been a leader in reducing air pollution and global warming pollution through the implementation of its alternative fuel fleet led by its nearly 30-year Electric Vehicle Fleet program.

The California transit bus industry is on a path toward complete electrification of its fleets. MTD is considering setting a goal to fully transition to electric buses by 2030. In doing so, it would join a number of transit agencies across California in committing to fleet electrification.

MTD's bus fleet is the largest in the County and transports 80% of all public transit rides annually. It is appropriate to set a goal for full electrification of the MTD fleet, which promises public health, environmental and potentially operational benefits.

The Santa Barbara Metropolitan Transit District's Board of Directors directs that the agency adopt a goal of transitioning to a 100% zero emission bus fleet by 2030.

1. The Board directs Santa Barbara Metropolitan Transit District (MTD) staff to

    a. Establish a goal and implementation steps to transition to a 100% zero emission bus fleet by 2030

    b. Report on the operational, fleet and transit facility needs to effect the transition to a 100% zero emission bus fleet

    c. Implement workforce development programs related to the implementation of a 100% zero emission bus fleet

    d. Develop a comprehensive infrastructure plan to support the 100% zero emission bus fleet goal.

    e. Coordinate with Southern California Edison to ensure that the power system is equipped to handle additional usage should MTD transition to an all-electric fleet

    f. Ensure that the proper disposal of electric automotive batteries is implemented

November 20, 2018

BOARD OF DIRECTORS REPORT

MEETING DATE: NOVEMBER 20, 2018 **AGENDA ITEM: #9**

DEPARTMENT: FINANCE

TYPE: INFORMATIONAL ITEM

PREPARED BY: THAIS SAYAT

____
Signature

REVIEWED BY: GENERAL MANAGER

____
Signature

SUBJECT: FINANCIAL UPDATE FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018

DISCUSSION:

Staff will present the financial results for the first quarter of fiscal year 2018-19.

ATTACHMENT:

MTD Operating Budget Report - Three Months Ended September 30, 2018

SANTA BARBARA MTD

OPERATING BUDGET REPORT
Three Months Ended September 30, 2018

Executive Summary

The financial results for the first quarter of fiscal year 2018-19 were generally positive as the deficit was well below that budgeted. Risk-related reserve adjustments and continued difficulty in filling budgeted positions were again the key factors affecting operating expenses. The difference from last year is that workers' compensation reserves in the first quarter were reduced (due to favorable claim settlements). On the revenue side, sales tax receipts were 10% under budget resulting in the aggregate 3% operating revenue shortfall (strong October sales tax revenue more than offset the negative first quarter performance). Also of note is that fare revenue was on budget, which represents a 3% increase from last year.

Operating Budget
3 Months Ended September 30, 2018
($ thousands)

	FY 18-19 Actual	FY 18-19 Budget	Variance Amt	Variance %	FY 17-18 Actual	Variance Amt	Variance %
REVENUE							
Fare Revenue	$1,731	$1,724	$6	0%	$1,681	$50	3%
Sales Tax Revenue	2,352	2,603	(251)	-10%	2,517	(165)	-7%
FTA Operating Assistance	1,305	1,305	0	0%	1,304	1	0%
State & Local Op Assistance	360	360	(0)	0%	305	54	18%
Property Tax Revenue	0	0	0	n/a	0	0	n/a
Non-Transportation Income	314	237	78	33%	200	115	57%
Total Operating Revenue	$6,062	$6,229	($168)	-3%	$6,007	$55	1%
EXPENSE							
Route Operations	$3,725	$3,912	($187)	-5%	$3,907	($182)	-5%
Vehicle Maintenance	1,242	1,341	(99)	-7%	1,245	(3)	0%
Passenger Accommodations	385	425	(40)	-10%	396	(11)	-3%
General Overhead	758	764	(6)	-1%	753	4	1%
Total Operating Expense	$6,109	$6,442	($332)	-5%	$6,301	($192)	-3%
Surplus/Deficit	($48)	($212)			($294)		

Operating Budget

Operating Revenue – Aggregate revenues of $6.1 million where 3% less than budgeted and resulted in a small increase compared to the prior year. Fare Revenue was in line with the budget and grew by 3%. In past reports, the result of Fare Revenue typically came in less than the budgeted amount and also less than the prior year. Bulk sales of Adult Passes was the main factor in producing the positive results. While cash fares were less than projected, strong overall pass sales more than made up for this. Contract fares were slightly less than anticipated but did exceed last year's level.

Operating Revenue Detail
3 Months Ended September 30, 2018
($ thousands)

	FY 18-19 Actual	FY 18-19 Budget	Variance Amt	Variance %	FY 17-18 Actual	Variance Amt	Variance %
FAREBOX REVENUE							
Cash Fares & Tokens	$551	$616	($64)	-10%	$595	($44)	-7%
Adult Passes	334	272	63	23%	290	44	15%
Youth Passes	155	148	8	5%	142	13	9%
Senior Passes	50	47	3	6%	45	5	10%
Mobility Passes	36	39	(3)	-7%	38	(2)	-4%
Day Passes	6	1	5	371%	1	5	371%
Downtown-Waterfront Shuttle	285	289	(4)	-1%	259	25	10%
UCSB Contract Fares	111	109	2	2%	107	4	4%
SBCC Contract Fares	168	181	(13)	-7%	181	(13)	-7%
Special Event Fares & Amtrak	26	17	9	52%	15	11	75%
City My Ride Program	8	7	1	20%	7	0	6%
Subtotal	$1,731	$1,724	$6	0%	$1,681	$50	3%
GRANTS & SUBSIDIES							
TDA Sales Tax Revenue	$1,848	$2,060	($212)	-10%	$1,983	($136)	-7%
FTA Formula Assistance	1,305	1,305	0	0%	1,304	1	0%
Measure A	504	544	(40)	-7%	533	(29)	-6%
State & Local Op Assistance	360	360	(0)	0%	305	54	18%
Property Tax Revenue	0	0	0	n/a	0	0	n/a
Subtotal	$4,017	$4,268	($251)	-6%	$4,126	($109)	-3%
NON-TRANSPORTATION INCOME							
Advertising on Buses	$133	$150	($17)	-11%	$133	$0	0%
Interest on Investments	47	28	18	64%	14	33	233%
Lease & Other Income	135	58	76	131%	53	82	154%
Subtotal	$314	$237	$78	33%	$200	$115	57%
Total Operating Revenue	$6,062	$6,229	($168)	-3%	$6,007	$55	1%

Although the largest subsidy, TDA sales tax revenues through September did fall short of the quarter's budget by 10% and decreased from the prior year by 7%, this has subsequent turned around. This is true for Measure A revenues as well. State and Local Operating Assistance grew by 18% compared to the prior year primarily due to the Last Mile Service, which went into effect late last fiscal year.

Non-transportation income was well above budgeted expectations and the prior year. Interest on Investments was 64% greater than the budget and more than doubled compared to the prior year's first quarter. MTD transferred funds to the LAIF account yielding higher interest stemming from maintaining a higher balance as well as a significant increase in rates. Another area in this group, Lease & Other Income, resulted in income greater than budgeted and increased from the prior year. Included in this line item is $50,000 in Measure A for capital reimbursement; MTD provided Easy Lift the $50,00 in capital support towards the purchase of a van. The outlay is included in the Operating Expense section of the report and is the offset to this capital reimbursement.

Operating Revenue Detail
3 Months Ended September 30, 2018
($ thousands)

	FY 18-19 Actual	FY 18-19 Budget	Variance Amt	Variance %	FY 17-18 Actual	Variance Amt	Variance %
FAREBOX REVENUE							
Cash Fares & Tokens	$551	$616	($64)	-10%	$595	($44)	-7%
Adult Passes	334	272	63	23%	290	44	15%
Youth Passes	155	148	8	5%	142	13	9%
Senior Passes	50	47	3	6%	45	5	10%
Mobility Passes	36	39	(3)	-7%	38	(2)	-4%
Day Passes	6	1	5	371%	1	5	371%
Downtown-Waterfront Shuttle	285	289	(4)	-1%	259	25	10%
UCSB Contract Fares	111	109	2	2%	107	4	4%
SBCC Contract Fares	168	181	(13)	-7%	181	(13)	-7%
Special Event Fares & Amtrak	26	17	9	52%	15	11	75%
City My Ride Program	8	7	1	20%	7	0	6%
Subtotal	$1,731	$1,724	$6	0%	$1,681	$50	3%
GRANTS & SUBSIDIES							
TDA Sales Tax Revenue	$1,848	$2,060	($212)	-10%	$1,983	($136)	-7%
FTA Formula Assistance	1,305	1,305	0	0%	1,304	1	0%
Measure A	504	544	(40)	-7%	533	(29)	-6%
State & Local Op Assistance	360	360	(0)	0%	305	54	18%
Property Tax Revenue	0	0	0	n/a	0	0	n/a
Subtotal	$4,017	$4,268	($251)	-6%	$4,126	($109)	-3%
NON-TRANSPORTATION INCOME							
Advertising on Buses	$133	$150	($17)	-11%	$133	$0	0%
Interest on Investments	47	28	18	64%	14	33	233%
Lease & Other Income	135	58	76	131%	53	82	154%
Subtotal	$314	$237	$78	33%	$200	$115	57%
Total Operating Revenue	$6,062	$6,229	($168)	-3%	$6,007	$55	1%

Operating Expenses – Aggregate expenses for the quarter of $6.1 million were 5% less than budgeted and were reduced by 3% compared to the prior year. MTD's self-insured liability and workers compensation program had a substantial and favorable impact on the quarter's expenses. A $400,000 net adjustment determined by MTD's third-party administrator was processed to reduce workers compensation reserve levels. This adjustment pertained to claims that occurred prior to FY2018-19. Partially offsetting this event was a net increase in payouts of $70,000 for the quarter. The two factors are reflected in the line item below for Risk, which was nearly 90% less than the anticipated total costs for the quarter. The quarter's outcome was quite the turn of events compared to the last twelve months of continued escalating reserve levels. However, with the large and frequent fluctuations in the last year, it is premature to call it a turnaround at this time.

Operating Expenses by Category
3 Months Ended September 30, 2018
($ thousands)

EXPENSE	FY 18-19 Actual	FY 18-19 Budget	Variance $	Variance %	FY 17-18 Actual	Variance $	Variance %
Wages	$2,975	$2,945	$30	1%	$2,900	$75	3%
Fringe Benefits	1,687	1,795	(109)	-6%	1,726	(39)	-2%
Fuel	382	366	15	4%	401	(19)	-5%
Risk	41	373	(332)	-89%	344	(303)	-88%
Materials & Supplies	289	293	(4)	-1%	282	7	2%
Services	379	379	0	0%	366	13	4%
ADA	285	225	61	27%	217	68	31%
Utilities	72	66	6	9%	65	7	11%
Total	$6,109	$6,442	($332)	-5%	$6,301	($192)	-3%

Of the 5% total budget variance in the table on the following page, recent developments in Route Operations costs were the largest contributing factor for lower than anticipated costs. As discussed earlier, this was the result of workers compensation activity. Transportation subsidies were 27% more than budgeted and increased by 31% from the prior period. Part of the variation is due to the increased Easy Lift annual subsidy MTD has agreed upon. However, the majority is due to the recent capital support issued to Easy Lift for $50,000.

Vehicle Maintenance expenses were under budget since mechanics and utility workers were not at full employment levels for the quarter. This also led to a reduction in expenses compared to the prior year. Another contributing factor as to why Vehicle Maintenance costs were under budget pertained to Supervision. There was a delay in hiring a Vehicle Maintenance manager. Supervision costs expanded over the prior year by 34% with the filling of the night supervisor at the beginning of the calendar year.

Passenger Accommodation outlays were 10% less than the budget and decreased by 3% compared to the prior year. MTD's decision to temporarily maintain a vacancy for the Transit Development manager position translated to reduced expenses of 38% from the prior period. The costs of Marketing & Community Relations, specific to route schedule information and other promotions were under budget for the period but are anticipated to be more in line with the budget in subsequent quarters. These costs were reduced from the prior year since the larger scale of changes to the bus guide and bus stop signage were not required.

Operating Expense Detail
3 Months Ended September 30, 2018
($ thousands)

	FY 18-19 Actual	FY 18-19 Budget	Variance Amt	Variance %	FY 17-18 Actual	Variance Amt	Variance %
ROUTE OPERATIONS							
Drivers	$2,922	$2,899	$24	1%	$2,844	$79	3%
Dispatch & Supervision	185	180	5	3%	183	2	1%
Hiring & Training	105	92	13	14%	115	(11)	-9%
Risk & Safety	228	517	(289)	-56%	548	(320)	-58%
Transportation Subsidies	285	225	61	27%	217	68	31%
Subtotal	$3,725	$3,912	($187)	-5%	$3,907	($182)	-5%
VEHICLE MAINTENANCE							
Mechanics	$256	$303	($47)	-16%	$289	($34)	-12%
Cleaners & Fuelers	199	220	(21)	-9%	212	(13)	-6%
Supervision	153	187	(34)	-18%	114	39	34%
Vehicle Consumables	428	411	17	4%	446	(18)	-4%
Bus Parts & Supplies	173	179	(6)	-3%	164	10	6%
Vendor Services	36	27	9	35%	26	10	37%
Risk & Safety	(3)	14	(17)	-120%	(6)	3	-51%
Subtotal	$1,242	$1,341	($99)	-7%	$1,245	($3)	0%
PASSENGER ACCOMMODATIONS							
Passenger Facilities	$135	$141	($6)	-4%	$121	$15	12%
Transit Development	49	50	(1)	-2%	79	(30)	-38%
Marketing & Community Relation	107	151	(44)	-29%	130	(22)	-17%
Fare Revenue Collection	93	83	10	12%	66	27	40%
Subtotal	$385	$425	($40)	-10%	$396	($11)	-3%
GENERAL OVERHEAD							
Finance	$150	$155	($5)	-3%	$160	($10)	-6%
Personnel	42	43	(1)	-3%	42	(1)	-1%
Utilities & Communication	72	66	6	9%	65	7	11%
Operating Facilities	111	96	15	15%	97	14	15%
District Administration	382	404	(21)	-5%	389	(7)	-2%
Subtotal	$758	$764	($6)	-1%	$753	$4	1%
Total Operating Cost	$6,109	$6,442	($332)	-5%	$6,301	($192)	-3%

General Overhead expenses as a whole were relatively in line with the budget and had a small increase in comparison to the prior year. Within the group, the budget variations were mainly seen in Operating Facilities and District Administration. During the quarter, the Terminal One facility incurred atypical costs for repairs of a main water line and the fumigation of the shop building. The accumulation of these costs exceeded the budget and resulted in an increase over the prior year. An unfilled position along with less than expected costs for Miscellaneous Services and Expenses, excluding contract labor, resulted in a 5% budget variance in District Administration.

Capital Activity

In the first quarter, the majority of capital activity was related to improvements for the Gillig buses acquired last fiscal year from San Mateo Transit. Various upgrades to the revenue fleet occurred, including battery upgrades. Measure A funds was the primary capital funding source this quarter.

Capital Expenditures by Category
3 Months Ended September 30, 2018
($ thousands)

	Total
Revenue Vehicle Purchases	$73
Revenue Vehicle Improvements	34
Information Systems	18
Operating Facilities	13
Passenger Facilities	10
Other Equipment	9
Total	$156

Statement of Net Position

The following page contains the Statement of Net Position as of September 30, 2018. The statement indicates the financial status of MTD at a specific point in time.

Statement of Net Positon
September 30, 2018

ASSETS			
CURRENT ASSETS			
Cash & Cash Items	$ 15,700,115		
Receivables	4,230,060		
Materials & Supplies Inventory	1,096,029		
Prepayments	275,632		
		$ 21,301,836	
NON-CURRENT ASSETS			
Work in Process	$ 1,419,269		
Land	5,596,297		
Fixed Facilities	14,515,625		
Revenue Fleet	46,931,559		
Non-Revenue Vehicles	781,468		
Shop Equipment	594,011		
Office & IT Equiptment	3,011,395		
Bus Stop Facilities	1,214,279		
Accumulated Depreciation	42,492,599		
		31,571,304	
Total Assets			$ 52,873,140
DEFERRED OUTFLOWS OF RESOURCES			565,645
Total Assets & Deferred Outflows			$ 53,438,785
LIABILITIES			
CURRENT LIABILITES			
Accounts Payables	$ 527,945		
Payroll Liabilities	806,263		
Other Current Liabilities	1,929,076		
		$ 3,263,284	
NON-CURRENT LIABILITIES			
Accrued Benefits & Payouts	$ 5,541,650		
		5,541,650	
Total Liabilities			$ 8,804,934
NET POSITION			
Capital Assets		$ 31,558,706	
Restricted Net Position		1,838,902	
Unrestricted Net Position		11,283,865	
Year to Date Surplus (Deficit)		(47,622)	
Total Net Position			44,633,851
Total Liabilities & Net Position			$ 53,438,785

SANTA BARBARA MTD

BOARD OF DIRECTORS REPORT

MEETING DATE: NOVEMBER 20, 2018 **AGENDA ITEM: #10**

DEPARTMENT: RISK

TYPE: ACTION ITEM

PREPARED BY: MARY GREGG

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Signature

REVIEWED BY: GENERAL MANAGER

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Signature

SUBJECT: DIRECTORS AND OFFICERS (D&O) INSURANCE / EMPLOYMENT PRACTICES LIABILITY (EPL) / FIDUCIARY LIABILITY ASSIGNMENTS

RECOMMENDATION:

Staff recommends that the MTD Board of Directors approve binding coverage for Directors and Officers (D&O) insurance, Employment Practices Liability insurance (EPL), and Fiduciary Liability insurance for policy period January 3, 2019 – January 3, 2020.

DISCUSSION:

<u>Directors and Officers Insurance</u>

The current underwriter is Professional Governmental Underwriters Inc. (PGU). PGU has again secured the best rate in the market, through current surplus lines carrier Indian Harbor Insurance Company, which has an A.M. Best rating of A XV (Excellent). There are a limited number of carriers that write these policies for the public sector.

	Renewal	Expiring	Prior
Premium:	$20,918	$20,105	$20,105
Limits:	$3,000,000	$3,000,000	$3,000,000
Retention:	$100,000	$100,000	$100,000

<u>Employment Practices Liability</u>

The current carrier is Atlantic Specialty Insurance through OneBeacon Professional Insurance Company. Atlantic has an A.M. Best rating of A X (Excellent). Brown and Brown reports that Atlantic’s quote for the 2019 renewal offers the best terms available in the market. EPL covers wrongful acts arising from the employment process. It is designed to address an entity’s exposure to most employment practice-related claims, on a first- and third-party basis.

	Renewal	Expiring	Prior
Premium:	$42,000	$40,340	$40,340
Limits:	$3,000,000	$3,000,000	$3,000,000
Retention:	$150,000	$150,000	$150,000

Fiduciary

The current carrier is Travelers Casualty, rated A++ XV (Superior) by A.M. Best. Prior to the 2016 renewal, the Fiduciary Liability policy was placed with Travelers as a rider to a shared coverage policy with RSUI Indemnity Company through a Public Officials Liability policy form that included D&O/EPL and Fiduciary Liability. Additionally, Brown and Brown was able to successfully negotiate a reduction in the retention from $50,000 to zero when the stand alone policy was quoted, and Travelers has extended those same terms for the fourth year in a row.

	Renewal	Expiring	Prior
Premium:	$4,010	$3,911	$3,818
Limits:	$2,000,000	$2,000,000	$2,000,000
Retention:	$0	$0	$0

SANTA BARBARA MTD

QUARTERLY REPORT

Fiscal Year 2018-19

July 1, 2018-September 30, 2018

FIRST QUARTER PERFORMANCE REPORTS

Table of Contents

Ridership Summary
FY 2019 First Quarter

System wide ridership during the first quarter (July through September) of FY 2018-19 totaled 1,435,284, representing a 2.2% decrease of approximately 31,914 riders from the same period of FY 2018.

As shown in the table below, the 1st quarter number of weekdays was the same; there was one fewer Saturday and one more Sunday. The University of California, Santa Barbara (UCSB), however, had 7 additional school days; Santa Barbara City College (SBCC) had 4 fewer school days in the first quarter than in the same time period last year. Students at these two institutions together make up approximately one-third of MTD ridership.

MTD SERVICE CALENDAR DAYS

	FY 2019		FY 2018		Year to Date
SERVICE DAYS	**Q1**	**YTD**	**Q1**	**YTD**	**Change**
Weekdays	63	63	63	63	0
Saturdays	13	13	14	14	1
Sundays	16	16	15	15	(1)
Total	**92**	**92**	**92**	**92**	**0**

	FY 2019		FY 2018		Year to Date
SCHOOL DAYS	**Q1**	**YTD**	**Q1**	**YTD**	**Change**
SBCC	45	45	49	49	(4)
UCSB	63	63	56	56	7
Secondary	45	45	45	45	0

UCSB ridership increased 17.5% in the first quarter, but did have 7 additional school days. This continues to illustrate the importance of providing a high level of service to UCSB and Isla Vista. Year-to-date, UCSB students comprised 10% of MTD ridership.

SBCC student ridership continues to decrease as their enrollment decreases. First quarter total ridership by SBCC students has decreased by 14.8% from the previous year, but SBCC also had 4 fewer school days this quarter. This category still comprises 8% of MTD ridership. The UCSB and SBCC ridership generally dips during the summer, making it a smaller percentage of total ridership in the 1st quarter.

As shown in the table, Santa Barbara Unified School District class days stayed the same over the previous year in the first quarter. School booster ridership decreased 2.1% year-to-date.

RIDERSHIP SUMMARY

Year-to-date ridership on the Downtown-Waterfront Shuttle has decreased by 8.6%. The Downtown Shuttle ridership is down 21.6% in the first quarter of the fiscal year, with the East Beach portion of the Waterfront Shuttle down by 32.6%, and the West Beach portion of the Waterfront Shuttle down 9.8%.

As board members are aware, the changing state of retail in our downtown area has had an impact on the activity on State Street. The resurgence of activity in the Funk Zone and the area on lower State Street in the past year due to new hotel and restaurant offerings has also changed the focal point for visitors and residents.

In the three-month period, there were 4 cruise ships served by MTD in FY 2017, compared to 5 in FY 2018. Downtown Parking revenue and occupancy, and hotel occupancy were also down in this period.

System Ridership Report
FY 2019 First Quarter

Ridership by Fare Category (July 2018 – September 2018)

	Quarter			YTD		
Fare Categories	Jul 18 - Sep 18	Jul 17 - Sep 17	% Change	FY 2018-2019	FY2017- 2018	% Change
General Fare	233,007	253,967	-8.3%	233,007	253,967	-8.3%
Transfers	128,854	150,924	-14.6%	128,854	150,924	-14.6%
Full Fare Prepaid [1]	295,667	269,195	9.8%	295,667	269,195	9.8%
Santa Barbara City College	128,291	150,494	-14.8%	128,291	150,494	-14.8%
Senior & Disabled Prepaid [2]	188,020	176,413	6.6%	188,020	176,413	6.6%
Shuttle	70,421	81,324	-13.4%	70,421	81,324	-13.4%
UC Santa Barbara	137,877	117,347	17.5%	137,877	117,347	17.5%
Youth Prepaid [3]	144,877	139,883	3.6%	144,877	139,883	3.6%
Free	34,121	36,408	-6.3%	34,121	36,408	-6.3%
Special Pass Programs	13,464	26,487	-49.2%	13,464	26,487	-49.2%
Senior Cash	46,364	49,265	-5.9%	46,364	49,265	-5.9%
Persons w ith Disabilities Cash	9,586	9,258	3.5%	9,586	9,258	3.5%
Tokens	4,735	6,233	-24.0%	4,735	6,233	-24.0%
Total	1,435,284	1,467,198	-2.2%	1,435,284	1,467,198	-2.2%

[1] Includes adult 10-ride and unlimited 30-day Passport use.

[2] Includes seniors' and persons w ith disabilities' 10-ride and unlimited 30-day Passport use.

[3] Includes K-12 Youth 10-ride and unlimited 30-day Passport use.

Source: MTD Passdat Program, MTD Transit Development Department, Planning Section

Revenue Hours and Revenue Miles (July 2018 – September 2018)

	Quarter			YTD		
Metrics	Jul 18 - Sep 18	Jul 17 - Sep 17	%Change	FY 2018-2019	FY2017- 2018	% Change
Passengers	1,435,284	1,467,198	-2.2%	1,435,284	1,467,198	-2.2%
Revenue Hours	54,979	54,805	0.3%	54,979	54,805	0.3%
Passengers per Revenue Hour	26.1	26.8	-2.5%	26.1	26.8	-2.5%
Miles	649,651	658,712	-1.4%	649,651	658,712	-1.4%
Passengers per Mile	2.2	2.2	-0.8%	2.2	2.2	-0.8%

Source: MTD Passdat Program, MTD Transit Development Department, Planning Section

SYSTEM RIDERSHIP REPORT

MTD System Ridership (July 2018 – September 2018)

		Quarter			YTD		
LINE		Jul 18 - Sep 18	Jul 17 - Sep 17	% Change	FY 2018-2019	FY2017- 2018	% Change
1	West Santa Barbara	84,161	87,177	-3.5%	84,161	87,177	-3.5%
2	East Santa Barbara	124,590	135,472	-8.0%	124,590	135,472	-8.0%
3	Oak Park	49,864	52,556	-5.1%	49,864	52,556	-5.1%
4	Mesa / SBCC	29,777	31,728	-6.1%	29,777	31,728	-6.1%
5	Mesa / La Cumbre	33,270	32,323	2.9%	33,270	32,323	2.9%
6	Goleta	145,476	146,757	-0.9%	145,476	146,757	-0.9%
7	County Health / Fairview	74,866	70,957	5.5%	74,866	70,957	5.5%
10	Cathedral Oaks	4,332	4,412	-1.8%	4,332	4,412	-1.8%
11	UCSB	220,096	211,249	4.2%	220,096	211,249	4.2%
12x	Goleta Express	52,727	53,207	-0.9%	52,727	53,207	-0.9%
14	Montecito	20,044	22,022	-9.0%	20,044	22,022	-9.0%
15x	SBCC / UCSB Express	39,241	46,625	-15.8%	39,241	46,625	-15.8%
16	City College Shuttle	17,392	17,836	-2.5%	17,392	17,836	-2.5%
17	Low er West / SBCC	33,710	38,795	-13.1%	33,710	38,795	-13.1%
20	Carpinteria	83,268	76,920	8.3%	83,268	76,920	8.3%
21x	Carpinteria Express	9,835	20,411	-51.8%	9,835	20,411	-51.8%
23	Winchester Canyon	13,544	11,443	18.4%	13,544	11,443	18.4%
24x	UCSB Express	134,533	126,982	5.9%	134,533	126,982	5.9%
25	Ellw ood	16,944	16,204	4.6%	16,944	16,204	4.6%
27	Isla Vista Shuttle	29,641	28,259	4.9%	29,641	28,259	4.9%
28	UCSB Shuttle	41,264	36,343	13.5%	41,264	36,343	13.5%
36	Seaside Shuttle	15,549	16,199	-4.0%	15,549	16,199	-4.0%
37	Crosstow n Shuttle	24,483	24,243	1.0%	24,483	24,243	1.0%
90	West Goleta Amtrak Shuttle	2,503	-	100.0%	2,503	-	100.0%
91	East Goleta Amtrak Shuttle	1,032	-	100.0%	1,032	-	100.0%
92	Santa Barbara Amtrak Shuttle	1,782	-	100.0%	1,782	-	100.0%
	Booster Services	37,712	38,527	-2.1%	37,712	38,527	-2.1%
System Subtotal		1,341,636	1,346,647	-0.4%	1,341,636	1,346,647	-0.4%
Downtown Waterfront Shuttles							
30	Dow ntow n Shuttle	74,390	94,909	-21.6%	74,390	94,909	-21.6%
31	East Beach Waterfront Shuttle	11,403	16,930	-32.6%	11,403	16,930	-32.6%
32	West Beach Waterfront Shuttle	7,855	8,712	-9.8%	7,855	8,712	-9.8%
Unknown							
		-			-		
System Total		**1,435,284**	**1,467,198**	**-2.2%**	**1,435,284**	**1,467,198**	**-2.2%**
Related Routes							
20, 21x Carpinteria		93,103	97,331	-4.3%	93,103	97,331	-4.3%
1, 2, 37 East/West & Crosstown		233,234	246,892	-5.5%	233,234	246,892	-5.5%
4, 5, 15x, 16, 17 Mesa Lines		153,390	167,307	-8.3%	153,390	167,307	-8.3%
6, 11 State/Hollister		365,572	358,006	2.1%	365,572	358,006	2.1%
7, 8, 9 Calle Real/Fairview		74,866	70,957	5.5%	74,866	70,957	5.5%

Source: MTD Passdat Program, MTD Transit Development Department, Planning Section

SYSTEM RIDERSHIP REPORT

MTD Passengers per Revenue Hour (July 2018 – September 2018)

		Quarter			YTD		
LINE		Jul 18 - Sep 18	Jul 17 - Sep 17	% Change	FY 2018-2019	FY2017- 2018	% Change
1	West Santa Barbara	30.0	30.3	-0.8%	30.0	30.3	-0.8%
2	East Santa Barbara	28.5	29.9	-4.5%	28.5	29.9	-4.5%
3	Oak Park	20.7	21.8	-5.0%	20.7	21.8	-5.0%
4	Mesa / SBCC	25.4	27.0	-6.0%	25.4	27.0	-6.0%
5	Mesa / La Cumbre	18.8	18.2	2.9%	18.8	18.2	2.9%
6	Goleta	28.5	30.2	-5.5%	28.5	30.2	-5.5%
7	County Health / Fairview	19.4	18.4	5.5%	19.4	18.4	5.5%
10	Cathedral Oaks	10.0	10.1	-1.7%	10.0	10.1	-1.7%
11	UCSB	28.4	27.8	2.1%	28.4	27.8	2.1%
12x	Goleta Express	28.4	29.1	-2.4%	28.4	29.1	-2.4%
14	Montecito	15.9	17.3	-8.3%	15.9	17.3	-8.3%
15x	SBCC / UCSB Express	25.8	29.1	-11.3%	25.8	29.1	-11.3%
16	City College Shuttle	45.2	38.4	17.8%	45.2	38.4	17.8%
17	Low er West / SBCC	41.1	47.3	-13.0%	41.1	47.3	-13.0%
20	Carpinteria	20.4	21.8	-6.1%	20.4	21.8	-6.1%
21x	Carpinteria Express	17.6	20.9	-15.6%	17.6	20.9	-15.6%
23	Winchester Canyon	22.6	19.0	19.5%	22.6	19.0	19.5%
24x	UCSB Express	43.2	40.5	6.6%	43.2	40.5	6.6%
25	Ellw ood	24.6	25.5	-3.4%	24.6	25.5	-3.4%
27	Isla Vista Shuttle	24.9	23.8	4.9%	24.9	23.8	4.9%
28	UCSB Shuttle	27.7	24.6	12.6%	27.7	24.6	12.6%
36	Seaside Shuttle	14.5	15.0	-3.6%	14.5	15.0	-3.6%
37	Crosstow n Shuttle	15.8	15.7	1.0%	15.8	15.7	1.0%
90	West Goleta Amtrak Shuttle	75.0	-	100.0%	75.0	-	100.0%
91	East Goleta Amtrak Shuttle	30.9	-	100.0%	30.9	-	100.0%
92	Santa Barbara Amtrak Shuttle	36.3	-	100.0%	36.3	-	100.0%
	Booster Services	85.8	81.4	5.4%	85.8	81.4	5.4%
System Subtotal		26.6	26.8	-0.8%	26.6	26.8	-0.8%
	Downtown Waterfront Shuttles						
30	Dow ntow n Shuttle	22.5	28.3	-20.4%	22.5	28.3	-20.4%
31	East Beach Waterfront Shuttle	13.3	19.4	-31.6%	13.3	19.4	-31.6%
32	West Beach Waterfront Shuttle	20.0	22.1	-9.6%	20.0	22.1	-9.6%
	Unknown						
		-	-	0.0%	-	-	0.0%
System Total		**26.1**	**26.8**	**-2.5%**	**26.1**	**26.8**	**-2.5%**
	Related Routes						
20, 21x Carpinteria		39.9	37.0	7.7%	42.5	44.1	-3.7%
1, 2, 37 East/West & Crosstown		29.1	30.0	-3.0%	28.6	29.6	-3.3%
4, 5, 15x, 16, 17 Mesa Lines		22.6	24.2	-6.5%	23.1	24.3	-5.0%
6, 11 State/Hollister		26.0	27.5	-5.5%	28.4	28.7	-1.0%
7, 8, 9 Calle Real		19.4	18.4	5.5%	19.4	18.4	5.5%

Source: MTD Passdat Program, MTD Transit Development Department, Planning Section

SYSTEM RIDERSHIP REPORT

MTD "At Capacity" Loads * (July 2018 – September 2018)

		Quarter			YTD		
LINE		Jul 18 - Sep 18	Jul 17 - Sep 17	% Change	FY 2018-2019	FY2017- 2018	% Change
1	West Santa Barbara	13	17	-23.5%	13	17	-23.5%
2	East Santa Barbara	44	27	63.0%	44	27	63.0%
3	Oak Park	4	1	300.0%	4	1	300.0%
4	Mesa / SBCC	-	4	-100.0%	-	4	-100.0%
5	Mesa / La Cumbre	4	9	-55.6%	4	9	-55.6%
6	Goleta	37	88	-58.0%	37	88	-58.0%
7	County Health / Fairview	12	-	100.0%	12	-	100.0%
10	Cathedral Oaks	2	1	100.0%	2	1	100.0%
11	UCSB	57	54	5.6%	57	54	5.6%
12x	Goleta Express	37	43	-14.0%	37	43	-14.0%
14	Montecito	2	5	-60.0%	2	5	-60.0%
15x	SBCC / UCSB Express	30	27	11.1%	30	27	11.1%
16	City College Shuttle	10	9	11.1%	10	9	11.1%
17	Low er West / SBCC	5	4	25.0%	5	4	25.0%
20	Carpinteria	19	5	280.0%	19	5	280.0%
21x	Carpinteria Express	1	1	0.0%	1	1	0.0%
23	Winchester Canyon	4	-	100.0%	4	-	100.0%
24x	UCSB Express	153	99	54.5%	153	99	54.5%
25	Ellw ood	9	-	100.0%	9	-	100.0%
27	Isla Vista Shuttle	12	5	140.0%	12	5	140.0%
28	UCSB Shuttle	5	9	-44.4%	5	9	-44.4%
36	Seaside Shuttle	1	1	0.0%	1	1	0.0%
37	Crosstow n Shuttle	-	-	0.0%	-	-	0.0%
90	West Goleta Amtrak Shuttle	-	-	0.0%	-	-	0.0%
91	East Goleta Amtrak Shuttle	-	-	0.0%	-	-	0.0%
92	Santa Barbara Amtrak Shuttle	-	-	0.0%	-	-	0.0%
	Booster Services	14	38	-63.2%	14	38	-63.2%
System Subtotal		475	447	6.3%	475	447	6.3%
Downtown Waterfront Shuttles							
30	Dow ntow n Shuttle	42	53	-20.8%	42	53	-20.8%
31	East Beach Waterfront Shuttle	1	7	-85.7%	1	7	-85.7%
32	West Beach Waterfront Shuttle	-	-	100.0%	-	-	100.0%
Related Routes							
20, 21x Carpinteria		20	6	233.3%	20	6	233.3%
1, 2, 37 East/West & Crosstow n		57	44	29.5%	57	44	29.5%
4, 5, 15x, 16, 17 Mesa Lines		49	53	-7.5%	49	53	-7.5%
6, 11 State/Hollister		94	142	-33.8%	94	142	-33.8%
7, 8, 9 Calle Real, Fairview		12	-	100.0%	12	-	100.0%
Unknown/Miscellaneous							
		-	-	0.0%	-	-	0.0%
System Total		518	507	2.2%	518	507	2.2%

*Classified as a 30-foot vehicle with 10 or more standees, or a **40-foot vehicle with 20 or more.**
Source: GFI Genfare, MTD Transit Development Department, Planning Section

MTD "Too Full to Board" Loads * (July 2018 – September 2018)

		Quarter			YTD		
LINE		Jul 18 - Sep 18	Jul 17 - Sep 17	% Change	FY 2018-2019	FY2017- 2018	% Change
1	West Santa Barbara	6	-	100.0%	6	-	100.0%
2	East Santa Barbara	1	9	-88.9%	1	9	-88.9%
3	Oak Park	-	-	0.0%	-	-	0.0%
4	Mesa / SBCC	-	-	0.0%	-	-	0.0%
5	Mesa / La Cumbre	5	6	-16.7%	5	6	-16.7%
6	Goleta	13	12	8.3%	13	12	8.3%
7	County Health / Fairview	-	2	-100.0%	-	2	-100.0%
10	Cathedral Oaks	1	1	0.0%	1	1	0.0%
11	UCSB	30	18	66.7%	30	18	66.7%
12x	Goleta Express	55	31	77.4%	55	31	77.4%
14	Montecito	-	2	-100.0%	-	2	-100.0%
15x	SBCC / UCSB Express	14	16	-12.5%	14	16	-12.5%
16	City College Shuttle	3	3	0.0%	3	3	0.0%
17	Lower West / SBCC	-	-	0.0%	-	-	0.0%
20	Carpinteria	8	1	700.0%	8	1	700.0%
21x	Carpinteria Express	-	-	0.0%	-	-	0.0%
23	Winchester Canyon	2	1	100.0%	2	1	100.0%
24x	UCSB Express	147	109	34.9%	147	109	34.9%
25	Ellwood	1	-	100.0%	1	-	100.0%
27	Isla Vista Shuttle	16	4	300.0%	16	4	300.0%
28	UCSB Shuttle	25	10	150.0%	25	10	150.0%
36	Seaside Shuttle	4	-	100.0%	4	-	100.0%
37	Crosstown Shuttle	-	-	0.0%	-	-	0.0%
90	West Goleta Amtrak Shuttle	-	-	0.0%	-	-	0.0%
91	East Goleta Amtrak Shuttle	-	-	0.0%	-	-	0.0%
92	Santa Barbara Amtrak Shuttle	-	-	0.0%	-	-	0.0%
	Booster Services	18	28	-35.7%	18	28	-35.7%
System Subtotal		349	253	37.9%	349	253	37.9%
	Downtown Waterfront Shuttles						
30	Downtown Shuttle	68	282	-75.9%	68	282	-75.9%
31	East Beach Waterfront Shuttle	2	1	100.0%	2	1	100.0%
32	West Beach Waterfront Shuttle	4	4	0.0%	4	4	0.0%
	Related Routes						
20, 21x Carpinteria		8	1	0.0%	8	1	700.0%
1, 2, 37 East/West & Crosstown		7	9	-22.2%	7	9	-22.2%
4, 5, 15x, 16, 17 Mesa Lines		22	25	-12.0%	22	25	-12.0%
6, 11 State/Hollister		43	30	43.3%	43	30	43.3%
7, 8, 9 Calle Real, Fairview		-	2	0.0%	-	2	-100.0%
	Unknown/Miscellaneous						
		-	-	0.0%	-	-	0.0%
System Total		423	540	-21.7%	423	540	-21.7%

* Indicates that passengers were refused service because a vehicle was too full to safely board.
Source: GFI Genfare, MTD Transit Development Department, Planning Section

MTD Bicycles Carried (July 2018 – September 2018)

LINE		Quarter: Jul 18 - Sep 18	Quarter: Jul 17 - Sep 17	Quarter: % Change	YTD: FY 2018-2019	YTD: FY2017- 2018	YTD: % Change
1	West Santa Barbara	434	517	-16.1%	434	517	-16.1%
2	East Santa Barbara	1,108	1,384	-19.9%	1,108	1,384	-19.9%
3	Oak Park	464	472	-1.7%	464	472	-1.7%
4	Mesa / SBCC	429	516	-16.9%	429	516	-16.9%
5	Mesa / La Cumbre	589	826	-28.7%	589	826	-28.7%
6	Goleta	3,390	3,502	-3.2%	3,390	3,502	-3.2%
7	County Health / Fairview	1,776	1,746	1.7%	1,776	1,746	1.7%
10	Cathedral Oaks	97	128	-24.2%	97	128	-24.2%
11	UCSB	5,245	4,972	5.5%	5,245	4,972	5.5%
12x	Goleta Express	1,658	1,983	-16.4%	1,658	1,983	-16.4%
14	Montecito	324	431	-24.8%	324	431	-24.8%
15x	SBCC / UCSB Express	721	820	-12.1%	721	820	-12.1%
16	City College Shuttle	117	151	-22.5%	117	151	-22.5%
17	Lower West / SBCC	234	270	-13.3%	234	270	-13.3%
20	Carpinteria	1,823	2,110	-13.6%	1,823	2,110	-13.6%
21x	Carpinteria Express	199	629	-68.4%	199	629	-68.4%
23	Winchester Canyon	344	170	102.4%	344	170	102.4%
24x	UCSB Express	2,936	2,808	4.6%	2,936	2,808	4.6%
25	Ellwood	287	259	10.8%	287	259	10.8%
27	Isla Vista Shuttle	206	206	0.0%	206	206	0.0%
28	UCSB Shuttle	365	338	8.0%	365	338	8.0%
36	Seaside Shuttle [1]	1	-	100.0%	1	-	100.0%
37	Crosstown Shuttle [1]	47	76	-38.2%	47	76	-38.2%
90	West Goleta Amtrak Shuttle	9	-	100.0%	9	-	100.0%
91	East Goleta Amtrak Shuttle	10	-	100.0%	10	-	100.0%
92	Santa Barbara Amtrak Shuttle	2	-	100.0%	2	-	100.0%
	Booster Services	20	32	-37.5%	20	32	-37.5%
System Subtotal		22,835	24,346	-6.2%	22,835	24,346	-6.2%
Downtown Waterfront Shuttles [1]							
30	State Street Shuttle [1]	3	-	N/A	3	-	N/A
31	East Beach Waterfront Shuttle [1]	-	-	N/A	-	-	N/A
32	West Beach Waterfront Shuttle [1]	-	-	N/A	-	-	N/A
Related Routes							
20, 21x Carpinteria		2,022	2,739	-26.2%	2,022	2,739	-26.2%
1,2,37 East/West & Crosstown		1,589	1,977	-19.6%	1,589	1,977	-19.6%
4, 5, 15x, 16, 17 Mesa Lines		2,090	2,583	-19.1%	2,090	2,583	-19.1%
6,11 State/Hollister		8,635	8,474	1.9%	8,635	8,474	1.9%
7, 8, 9 Calle Real/Fairview		1,776	1,746	1.7%	1,776	1,746	1.7%
Unknown/Miscellaneous							
		5	2	150.0%	5	2	150.0%
System Total		22,843	24,348	-6.2%	22,843	24,348	-6.2%

[1] MTD electric shuttles cannot carry bicycles.
Source: GFI Genfare, MTD Transit Development Department, Planning Section

MTD Wheelchairs Boarded (July 2018 – September 2018)

		Quarter			YTD		
LINE		Jul 18 - Sep 18	Jul 17 - Sep 17	% Change	FY 2018-2019	FY2017- 2018	% Change
1	West Santa Barbara	371	506	-26.7%	371	506	-26.7%
2	East Santa Barbara	454	761	-40.3%	454	761	-40.3%
3	Oak Park	311	287	8.4%	311	287	8.4%
4	Mesa / SBCC	49	49	0.0%	49	49	0.0%
5	Mesa / La Cumbre	154	190	-18.9%	154	190	-18.9%
6	Goleta	495	614	-19.4%	495	614	-19.4%
7	County Health / Fairview	474	599	-20.9%	474	599	-20.9%
10	Cathedral Oaks	4	3	33.3%	4	3	33.3%
11	UCSB	652	697	-6.5%	652	697	-6.5%
12x	Goleta Express	159	191	-16.8%	159	191	-16.8%
14	Montecito	62	95	-34.7%	62	95	-34.7%
15x	SBCC / UCSB Express	18	37	-51.4%	18	37	-51.4%
16	City College Shuttle	93	52	78.8%	93	52	78.8%
17	Low er West / SBCC	56	57	-1.8%	56	57	-1.8%
20	Carpinteria	321	435	-26.2%	321	435	-26.2%
21x	Carpinteria Express	27	81	-66.7%	27	81	-66.7%
23	Winchester Canyon	16	7	128.6%	16	7	128.6%
24x	UCSB Express	146	161	-9.3%	146	161	-9.3%
25	Ellw ood	19	19	0.0%	19	19	0.0%
27	Isla Vista Shuttle	10	11	-9.1%	10	11	-9.1%
28	UCSB Shuttle	8	23	-65.2%	8	23	-65.2%
36	Seaside Shuttle	7	13	-46.2%	7	13	-46.2%
37	Crosstow n Shuttle	28	48	-41.7%	28	48	-41.7%
90	West Goleta Amtrak Shuttle	-	-	0.0%	-	-	0.0%
91	East Goleta Amtrak Shuttle	-	-	0.0%	-	-	0.0%
92	Santa Barbara Amtrak Shuttle	-	-	0.0%	-	-	0.0%
	Booster Services	1	4	-75.0%	1	4	-75.0%
System Subtotal		3,935	4,940	-20.3%	3,935	4,940	-20.3%
Downtown Waterfront Shuttles							
30	State Street Shuttle	298	174	71.3%	298	174	71.3%
31	East Beach Waterfront Shuttle	45	24	87.5%	45	24	87.5%
32	West Beach Waterfront Shuttle	37	12	208.3%	37	12	208.3%
Related Routes							
20, 21x Carpinteria		348	516	-32.6%	348	516	-32.6%
1, 2, 37 East/West & Crosstow n		853	1,315	-35.1%	853	1,315	-35.1%
4, 5, 15x, 16, 17 Mesa Lines		370	385	-3.9%	370	385	-3.9%
6, 11 State/Hollister		1,147	1,311	-12.5%	1,147	1,311	-12.5%
7, 8, 9 Calle Real/Fairview		474	599	-20.9%	474	599	-20.9%
Unknown/Miscellaneous							
		2	1	100.0%	2	1	100.0%
System Total		4,317	5,151	-16.2%	4,317	5,151	-16.2%

Source: GFI Genfare, MTD Transit Development Department, Planning Section

Customer Service

FY 2019 First Quarter Complaints & Compliments

Month	Passenger Relations	Driving Observations	Schedule/ Policy	Missed Passengers	Total Complaints	Passenger Boardings per Complaint		Compliments
July	7	5	12	3	27	16,713		5
August	5	4	10	7	26	18,349		4
September	2	2	10	3	17	29,822		2
Quarter Total	**14**	**11**	**32**	**13**	**70**	**20,504**		**11**

Year To Date Total Complaints & Compliments

Month	Passenger Relations	Driving Observations	Schedule/ Policy	Missed Passengers	Total Complaints	Passenger Boardings per Complaint		Compliments
FY 2019	14	11	32	13	70	20,504		11
FY 2018	14	5	12	9	40	36,680		8

Definitions:

Passenger Relations: Perceived negative treatment of passengers by an MTD Employee.

Driving Observations: Concerns regarding driving safety.

Schedule/Policy: Missed trips, frequency of service, transfer policy, etc.

Missed Passengers: Complaints that passengers were passed up at MTD authorized stops.

Compliments: Documented praise of MTD Employee's actions.

MTD Performance Standard:

Passenger complaints shall average no more than 1 complaint per 10,000 MTD passenger boardings.

SANTA BARBARA MTD

Fleet Maintenance Report
FY 2019 First Quarter Performance Indicators

	Quarter						Fiscal YTD					
Novas	Miles	MPG	Fuel/Oil	Parts	Labor	Cost per Mile	Miles	MPG	Fuel/Oil	Parts	Labor	Cost per Mile
Q1FY19	11,519	4.20	4,966	8,810	5,175	1.69	11,519	4.19	4,966	8,809	5,175	1.69
Q1FY18	71,912	4.43	34,636	32,519	15,605	1.15	71,912	4.43	34,636	32,519	15,605	1.15
Change %:	-84.0%	-5.0%	-85.7%	-72.9%	-66.8%	46.5%	-84.0%	-5.3%	-85.7%	-72.9%	-66.8%	46.5%

	Quarter						Fiscal YTD					
Gillig 40'	Miles	MPG	Fuel/Oil	Parts	Labor	Cost per Mile	Miles	MPG	Fuel/Oil	Parts	Labor	Cost per Mile
Q1FY19	473,709	4.58	$190,619	$74,414	$60,351	$0.69	473,709	4.58	$190,619	$74,414	$60,351	$0.69
Q1FY18	428,129	4.70	$195,053	$66,575	$59,299	$0.75	428,129	4.70	$195,053	$66,575	$59,299	$0.75
Change %:	10.6%	-2.6%	-2.3%	11.8%	1.8%	-8.4%	10.6%	-2.6%	-2.3%	11.8%	1.8%	-8.4%

	Quarter						Fiscal YTD					
Gillig 29'	Miles	MPG	Fuel/Oil	Parts	Labor	Cost per Mile	Miles	MPG	Fuel/Oil	Parts	Labor	Cost per Mile
Q1FY19	84,246	4.83	$31,428	$22,421	$15,943	$0.83	84,246	4.83	31,428	22,421	15,943	0.83
Q1FY18	86,535	4.97	$36,591	$38,525	$18,113	$1.07	86,535	4.97	36,591	38,525	18,113	1.07
Change %:	-2.6%	-2.8%	-14.1%	-41.8%	-12.0%	-22.5%	-2.6%	-2.8%	-14.1%	-41.8%	-12.0%	-22.5%

	Quarter						Fiscal YTD					
Gillig 29' Hybrid	Miles	MPG	Fuel/Oil	Parts	Labor	Cost per Mile	Miles	MPG	Fuel/Oil	Parts	Labor	Cost per Mile
Q1FY19	12,922	4.72	$4,900	$3,987	$2,410	$0.88	12,922	4.72	$4,900	$3,987	$2,410	$0.88
Q1FY18	12,579	4.42	$5,870	$1,002	$1,331	$0.66	12,579	4.42	$5,870	$1,002	$1,331	$0.66
Change %:	2.7%	6.8%	-16.5%	297.9%	81.1%	33.8%	2.7%	6.8%	-16.5%	297.9%	81.1%	33.8%

	Quarter						Fiscal YTD					
Gillig 40' Hybrid	Miles	MPG	Fuel/Oil	Parts	Labor	Cost per Mile	Miles	MPG	Fuel/Oil	Parts	Labor	Cost per Mile
Q1FY19	87,572	4.99	$31,774	$13,558	$12,359	$0.66	87,572	4.99	$31,774	13,558	12,359	$0.66
Q1FY18	94,858	4.86	$41,862	$46,707	$19,001	$1.12	94858	4.86	41862	46707	19001	1.12
Change %:	-7.7%	2.7%	-24.1%	-71.0%	-35.0%	-41.2%	-7.7%	2.7%	-24.1%	-71.0%	-35.0%	-41.2%

FLEET MAINTENANCE REPORT

Nova Articulated	Quarter Miles	MPG	Fuel/Oil	Parts	Labor	Cost per Mile	Fiscal YTD Miles	MPG	Fuel/Oil	Parts	Labor	Cost per Mile
Q1FY19	36,261	4.61	$14,672	$998	$2,753	$0.51	36,261	4.61	$14,672	$998	$2,753	$0.51
Q1FY18	26,292	4.58	$12,076	$1,578	$2,871	$0.73	26,292	4.58	$12,076	$1,578	$2,871	$0.73
Change %:	37.9%	0.7%	21.5%	-36.8%	-4.1%	-30.0%	37.9%	0.7%	21.5%	-36.8%	-4.1%	-30.0%
Diesel Fleet:	-2.0%	`	-14.6%	-33.6%	-14.8%							

Ebus EV's	Quarter **Miles**	**KWH**	**MPK**	**Parts**	**Labor**	**Cost per Mile**	Fiscal YTD **Miles**	**KWH**	**MPK**	**Parts**	**Labor**	**Cost per Mile**
Q1FY19	14,264	24,277	$0.59	$7,588	$10,237	$1.89	14,264	24277	$0.59	$7,588	$10,237	$1.89
Q1FY18	39,029	56436	$0.69	$22,837	$8,795	$1.13	39,029	56436	$0.69	$22,837	$8,795	$1.13
Change %:	-63.5%	- 57.0%	-14.5%	-66.8%	16.4%	67.1%	-63.5%	- 57.0%	-14.5%	-66.8%	16.4%	67.1%

BYD EV's	Quarter **Miles**	**KWH**	**MPK**	**Parts**	**Labor**	**Cost per Mile**	Fiscal YTD **Miles**	**KWH**	**MPK**	**Parts**	**Labor**	**Cost per Mile**
Q1FY19	28,296	48,145	0.59	18	1,818	$0.69	28,296	48,145	0.59	18	1,818	$0.69
Q1FY18												

National Transit Database Road Calls
FY 2019 First Quarter ("Mechanical System Failures")

Fleet Category	Quarter (FY 2019)	All Reportable Mechanical System Failures	Quarterly Miles	Miles Between All Reportable Mechanical System Failures
Electric Vehicles	Q4			
	Q3			
	Q2			
	Q1	14	42,560	3,040
400 Nova's	Q4			
	Q3			
	Q2			
	Q1	1	11,519	11,519
400 Gillig's	Q4			
	Q3			
	Q2			
	Q1	7	61,689	8,813
600 Gillig's	Q4			
	Q3			
	Q2			
	Q1	41	412,020	10,049
700 Gillig's	Q4			
	Q3			
	Q2			
	Q1	27	84,246	3,120
700 Gillig Hybrid's	Q4			
	Q3			
	Q2			
	Q1	3	12,922	4,307
900 Gillig's	Q4			
	Q3			
	Q2			
	Q1	12	87,572	7,298
1000 Nova's	Q4			
	Q3			
	Q2			
	Q1	3	36,261	12,087
System Total Excluding EV's	Q4			
	Q3			
	Q2			
	Q1	94	706,229	7,513
System Total All Vehicles	Q4			
	Q3			
	Q2			
	Q1	108	748,789	6,933

Compliance Report
FY 2019 First Quarter

As a recipient of Federal funds from the Federal Transit Administration (FTA), the Santa Barbara Metropolitan Transit District (MTD) is subject to a number of rules and regulations. This report describes actions taken between July 1 and September 30, 2018, to address these requirements.

MTD Compliance Actions

Submitted MTD monthly National Transit Database Safety and Security reports to FTA, as required.

Submitted MTD monthly National Transit Database Ridership reports to FTA, as required.

Submitted quarterly Milestone Progress Reports and Federal Financial Reports for MTD's FTA grants.

Submitted MTD's FY 2019 - FY 2021 Triennial Overall Goal for Disadvantaged Business Enterprise Participation in Federal Transit Administration Assisted Programs to FTA.

Submitted application to FTA for FY 2018 competitive funds from the Section 5339(b) program.

Prepared MTD's Transit Asset Management (TAM) Plan for adoption by the Board of Directors, as required by FTA.

Participated in several FTA webinars regarding the upcoming requirement for preparation of a Public Transportation Agency Safety Plan.

Submitted semi-annual reports to the California Department of Transportation (Caltrans) for MTD's Proposition 1B grants from the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA).

Continued to monitor all FTA compliance areas and ensure that MTD is in compliance, including the Americans with Disabilities Act (ADA) complementary paratransit service that is operated by Easy Lift Transportation for MTD. (*MTD is responsible for this service, and must ensure that it complies with all FTA requirements.*)

ORGANIZATIONAL CHART

- **OLIVIA RODRIGUEZ** — *BOARD DIRECTOR*
- **DICK WEINBERG** — *BOARD DIRECTOR*
- **CHUCK MCQUARY** — *BOARD DIRECTOR*
- **DAVE DAVIS** — *CHAIR*
- **DAVE TABOR** — *VICE CHAIR*
- **BILL SHELOR** — *SECRETARY*
- **PAULA PEROTTE** — *BOARD DIRECTOR*

JERRY ESTRADA — *GENERAL MANAGER*

- **VACANT** — *ADMINISTRATIVE ASSISTANT*
- **CHRISTINA PERRY** — *ADMINISTRATIVE ASSISTANT - LEAD*

- **BRAD DAVIS** — *AGM/CONTROLLER* (AGM - PROCUREMENT OFFICER)
  - **THAIS SAYAT** — *ASSISTANT CONTROLLER*
  - **LIZ DE LA TORRE** — *MANAGER OF ACCOUNTING*
    - **DIANA FLORES** — *ACCOUNTING ASSISTANT*
    - **CLAIRE PATTERSON** — *ACCOUNTING ASSISTANT*
    - **VACANT (Budget Freeze)** — *FARE REVENUE CLERK*
  - **TOM SHELDON** — *IT MANAGER*
    - **PABLO ZUNIGA** — *IT SUPPORT SPECIALIST*
  - **VACANT (Budget Freeze)** — *PURCHASING ADMINISTRATOR*
  - **JUAN PEREZ** — *FRC TECHNICIAN - LEAD*
    - **JOSH MARTINEZ** — *FRC TECHNICIAN*
- **MARY GREGG** — *HUMAN RESOURCES & RISK MANAGER*
  - **VACANT** — *RISK ADMINISTRATOR*
  - **LYNROSE PARAS-DIMA-LANTA** — *HR & W.C. SPECIALIST*
- **BILL MORRIS** — *OPERATIONS MANAGER*
  - **DAVE MORSE** — *SUPERINTENDENT OF OPERATIONS*
  - **MANNY CASTANON** — *SAFETY & TRAINING ADMINISTRATOR*
  - **OPERATIONS SUPERVISORS** — 13
  - **DRIVERS** — *150*
- **VACANT (Budget Freeze)** — *DIRECTOR OF FLEET & FACILITIES*
  - **RYAN GRIPP** — *CAPITAL PROJECTS MANAGER*
  - **NOLAN ROBERTSON** — *FLEET MANAGER*
    - **MIKE CARDONA** — *SUPERINTENDENT OF MAINTENANCE*
      - **RODGER STEVENS** — *FLEET MAINTENANCE SUPERVISOR*
      - **MECHANICS** — *14*
      - **UTILITY** — *5(FT) - 8(PT)*
    - **STEVE HAHN** — *ASSISTANT SUPERINTENDENT OF MAINTENANCE*
      - **JOHN HERRERA** — *PARTS CLERK*
      - **DAVID MYERS** — *DATA ANALYST*
    - **FRANK REYNOSO** — *FACILITIES SPECIALIST*
- **VACANT (Budget Freeze)** — *DIRECTOR OF TRANSIT DEVELOPMENT*
  - **STEVE MAAS** — *GOVERNMENT RELATIONS & COMPLIANCE MANAGER* (DBE OFFICER)
  - **HILLARY BLACKERBY** — *INTERIM PLANNING & MARKETING MANAGER*
    - **MARK CLYDE** — *TRANSIT PLANNER*
      - **JENNIFER TANNER** — *ROUTE SCHEDULER*
      - **BOB OLIVERA** — *BUS STOP MAINT*
    - **TONY MENDIBLES** — *PLANNING & MARKETING COORDINATOR*
    - **LILLY GOMEZ** — *MARKETING & COMMUNITY RELATIONS COORD.*
    - **CUSTOMER SERVICE REPRESENTATIVES**

Updated: 11/15/2018

SANTA BARBARA MTD

BOARD OF DIRECTORS REPORT

MEETING DATE: NOVEMBER 20, 2018 **AGENDA ITEM: #12**

DEPARTMENT: OFFICE ADMINISTRATION

TYPE: ACTION ITEM

PREPARED BY: JERRY ESTRADA

____
Signature

REVIEWED BY: GENERAL MANAGER

____
Signature

SUBJECT: CALLE REAL DEVELOPMENT ATTORNEY ENGAGEMENT LETTER

RECOMMENDATIONS:

Staff recommends that the Board accept the Engagement Letter submitted by Mullen & Henzell L.L.P. to provide legal services for the Transit Oriented Calle Real Housing Development project.

DISCUSSION:

MTD has received the engagement letter from Mullen & Henzell L.L.P. to provide legal services as it pertains to the Transit Oriented Calle Real Housing Development project. Specifically, MTD is seeking assistance with evaluation of third party housing development proposals and potentially contract negotiations.

Attached is Mullen & Henzell's L.L.P. Engagement Letter and Mr. Graham M. Lyons qualifications for the work envisioned by MTD. This matter was discussed with the Board's Calle Real ad-hoc committee, which approved presenting the matter to the full board for its consideration.

ATTACHMENTS:

- Attachment 1 – Mullen & Henzell L.L.P Engagement Letter
- Attachment 2 – Mr. Graham M. Lyons Qualifications

Mullen & Henzell L.L.P.
ATTORNEYS AT LAW

e-mail: gml@mullenlaw.com

November 14, 2018

Santa Barbara Metropolitan Transit District
550 Olive Street
Santa Barbara, CA 93101

Attn: Mr. Jerry Estrada, General Manager

Re: Engagement Letter and Fee Agreement

Dear Mr. Estrada:

The California Business and Professions Code requires written fee agreements between attorneys and clients in connection with most legal matters. The agreement is required to contain the fee arrangements that are applicable to the case; the general nature of the services to be provided; and the respective responsibilities of the attorney and the client. This letter, when signed by you, will constitute the written agreement between us pertaining to these matters and is binding unless later modified in writing by both of us. We ask that you review this agreement with great care before you sign it and that you retain a copy for future reference.

Description of Services

Our office has agreed to represent you with regard to assisting the District in the evaluation of third party proposals for the possible development of the District's Calle Real property and contract negotiations with such third parties.

Our Representation

As your attorneys, it is our responsibility to exercise professional expertise in the delivery of the legal services described above. At all times, we will act on your behalf to the best of our ability and in accordance with our best professional judgment. Subject to supervision by your primary attorney, other Mullen & Henzell attorneys and legal assistants may accomplish some or all of the work on your matter. We find that this delegation of responsibility results in a better use of time and usually saves you money.

112 East Victoria Street
Santa Barbara, California 93101
(805) 966-1501 FAX (805) 966-9204
www.mullenlaw.com

You should be aware that our services on your behalf are based on our knowledge of the facts as they are presented to us and by the current state of the law. You acknowledge that we cannot guarantee any particular result. You agree to be candid and cooperative with us, to keep us reasonably informed of relevant developments regarding the matters on which we are representing you, to advise us of your current address, telephone number and whereabouts and to timely make any payments required by this agreement.

How We Determine Our Bills

It is the policy of Mullen & Henzell to charge a reasonable fee for our services. Guided by the *Rules of Professional Conduct* governing the practice of law in California, here are some of the factors we consider in determining our fee:

- The time and effort your matter will require based on the complexity and/or novelty of the legal issues it presents.
- The legal skills required by the attorneys working on your matter.
- The amount of money or value of property involved and the results we are able to obtain for you.
- Time constraints imposed either by you or by other circumstances, such as the necessity of immediately filing documents or appearing in court on your behalf.

Time and effort are the factors on which we place the most emphasis in determining our fees. To the extent that these are primary factors in pursuing your matter, we will bill you at our professional staff's prevailing hourly rates. As of the date of this agreement, these rates range from $185 to $590 per hour and are subject to periodic adjustment. Any adjustments in hourly rates will be reflected in our monthly billing statements. My current hourly rate is $480.

We will maintain accurate records of the time we devote to your work. We record and bill our time in units of tenths of an hour, with the smallest billable unit being one-tenth of an hour. We reserve the right to apply all of the foregoing factors in the establishment of our fee. Therefore, the resulting fee may be greater than or less than the time value of our services. In all events, the method of calculation will be clearly indicated on our monthly billing statements. You acknowledge that we have made no guarantees regarding the total amount of attorneys' fees to be incurred by you under this agreement.

mh

Out-of-Pocket Expenses and Administrative Charges

In the course of providing legal services for our clients, we frequently incur a variety of out-of-pocket expenses. Some typical charges are listed below:

- Filing Fees imposed by courts and governmental agencies.
- Long-distance telephone calls.
- Courier and express delivery service charges.
- Deposition and transcript costs.
- Witness fees.
- Travel expenses for attorneys, legal assistants and others.
- Compensation for outside experts and consultants such as accountants, appraisers or special outside counsel.
- Other expenses, including word processing, postage, local telephone charges, and incoming and outgoing fax charges (other than toll telephone charges) are covered by an administrative fee equal to 4% of our fee for services.

Deposits

Clients new to Mullen & Henzell are often requested to make a deposit with us. Ordinarily, the amount of the deposit is equal to the fees and costs likely to be incurred in our work on a particular matter over a two-month period. The deposit will be placed in Mullen & Henzell's trust account. As work on the matter proceeds, the time expended and the charges for expenses incurred will be deducted from the deposit and your signature authorizes us to deduct amounts from the deposit. If your deposit is depleted, we may ask you to restore it in order for work to proceed.

A deposit from you is not requested at this time. If we request a deposit from you in the future, we will send you regular statements describing all of our work on your behalf. When our representation of you reaches a conclusion, or if the deposit received from you is later deemed unnecessary or too large, the balance of the deposit (or an appropriate amount thereof) will be returned to you.

Monthly Billings

We bill on a monthly basis for the fees and expenses described above. Each statement will state the basis for the fees that are charged and will include the amount, rate, basis for calculation or other method of determination. The statement will also itemize the expenses incurred by us on your behalf.

Our bill to you is due upon its presentation and you agree to pay it when due. If it is not paid within 30 days from the statement date, you agree to also pay unpaid amounts which accrue interest at the rate of 12% per annum commencing 30 days after the statement date and continuing until paid in full.

In the event a statement is not paid when due and we incur costs and expenses in collection efforts, you agree to pay all such costs associated with collecting amounts due us, including court costs and attorneys' fees.

Termination or Withdrawal

You may terminate our representation of you at any time simply by notifying us. In the event of termination, your papers and other property you have entrusted to us will be returned to you. You should understand that your termination of our services does not release you from the responsibility to pay us for all legal services we have rendered to you and for all expenses we have incurred on your behalf. Our final bill to you will include expenses for whatever actions we find necessary to ensure an orderly transition of the matter.

The *Rules of Professional Conduct* governing the practice of law in California list several circumstances that compel or permit us to withdraw from representing a client. Some of the reasons which may cause us to withdraw are listed below:

- The Client fails to pay fees and/or costs.
- The Client misrepresents or fails to disclose a material fact.
- The Attorney discovers a conflict of interest in the representation of another client.

Before accepting your matter, we try to identify potential situations which may lead to our withdrawal. If it becomes necessary that we withdraw, we will send you a written notice to that effect.

Arbitration

Any controversy, claim or dispute arising in the course and scope of the attorney-client relationship or relating to this Fee Agreement shall be determined by binding arbitration in Santa Barbara, California, before a sole arbitrator, in accordance with the laws of the State of California. "Disputes" shall include, without limitation, those involving fees, costs, billing, claims of professional negligence, malpractice and breach of ethical or fiduciary duties. The arbitration shall be administered by the American Arbitration Association in accordance with its Commercial Rules in effect at the time of the arbitration. Each side shall bear its own costs and attorneys' fees. This agreement to arbitrate is not intended to abrogate your right to require a nonbinding fee arbitration pursuant to California Business and Professions Code sections 6200-6206.

Approval of the Terms of this Agreement

If the foregoing meets with your approval, please so indicate by dating, signing and returning to us this letter, which will thereupon constitute our agreement. A return envelope is provided for your convenience. The enclosed copy of this letter is for your retention.

We look forward to working with you.

Very truly yours,

Graham Lyons

Graham M. Lyons of
Mullen & Henzell L.L.P.

GML:rpl
Enclosures
H:\Engagement Letters\GML\SB Metropolitan Transit.docx

READ AND APPROVED BY CLIENT:

Date: ______________________ Santa Barbara Metropolitan Transit District

By: ____________________________
Jerry Estrada, General Manager

Graham M. Lyons

Mullen & Henzell, LLP

112 East Victoria Street

Santa Barbara, CA 93101

Graham Lyons serves as the firm's Managing Partner. His practice focuses on real estate matters involving the due diligence, acquisition, financing, entitlement and development of complex residential, mixed-use, hospitality and institutional projects. He regularly helps property owners and developers identify, structure, and finance real estate transactions and obtain the necessary land use approvals and entitlements before state and local agencies.

Graham also counsels businesses and non-profits on general corporate matters and real estate-related issues. Graham regularly advises the firm's public agency clients on issues related to the Brown Act, the Public Records Act, and public contracting.

Representative Transactions

Represent applicant in processing entitlements for a 193-unit residential development in the City of Ventura. The project required LAFCo approval, which was contested by several parties, and defeat of an appeal at the City Council.

Represent non-profit developer in the acquisition, financing, and development of downtown mixed-use project containing 51 apartments for downtown workforce and low- income persons and commercial/office space for government and non-profit agencies. The project was a public/private partnership with the City of Santa Barbara and was financed with funds from the City of Santa Barbara, CalHFA, the sale of multifamily housing revenue bonds, and an allocation of tax credits.

Negotiate on behalf of applicant a Development Agreement and related approvals with the City of Santa Barbara for the development of a water-front luxury hotel, including the transfer of existing development rights. Represent applicant in the ongoing permitting and development of hotel project.

Represent property owner in negotiation of long-term ground lease for the development and operation of multiple hotels and retail stores.

Negotiate on behalf of developer all design and construction contracts for major hotel project.

Represent developer in negotiation of long-term ground lease for the development of new medical services facility.

Represent non-profit museum in all real estate, permitting, and construction aspects of multi-phased $50 million renovation of downtown Santa Barbara facility.

Represent public agency borrower in $27 million bond refinance of multifamily development project to facilitate buyout of limited partner.

BOARD OF DIRECTORS REPORT

MEETING DATE:	NOVEMBER 20, 2018	**AGENDA ITEM: #13**
DEPARTMENT:	ADMINISTRATION	
TYPE:	ACTION	
PREPARED BY:	JERRY ESTRADA	______________ *Signature*
REVIEWED BY:	GENERAL MANAGER	______________ *Signature*
SUBJECT:	2019 COMMITTEE ASSIGNMENTS	

RECOMMENDATIONS:

Staff requests that the Board of Directors consider Committee assignments for 2019 along with the following recommendations:

- That the number of standing committees be reduced to three by dissolving the External Affairs committee and shifting its responsibilities to the Planning & Marketing Committee.
- That a new Facilities Master Plan ad-hoc committee be formed.[1] Three board members requested appointment to the new committee. See the attachment for an updated list of committee assignments.

STANDING COMMITTEE DISCRIPTIONS:

Finance & Human Resource/Risk
This committee addresses administrative policy issues such as budget, fare structure, and risk matters.

External Affairs
External Affairs covers Board level issues related to official Government Affairs as well as any federal, state or local policy questions.

Planning & Marketing
Annual bus service planning, long-term policy issues and marketing for the District are reviewed by this committee.

Fleet & Facilities
Policy-related issues pertaining to the District's current and future fleet of revenue and non-revenue vehicles as well as real property and facilities are typically assigned to the committee. Additionally, most capital projects and technology advancements are assigned to this committee.

ATTACHMENT:

- Attachment 1 – 2019 Committee Assignments

[1] If the Board forms a Facilities Master Plan Committee, it would bring the total number of existing ad-hoc committees to two. No membership changes were requested to the Calle Real ad-hoc, SBCAG South Coast Sub regional or Coastal Express Committees.

SANTA BARBARA MTD

Updated 2019 Board Committee Assignments

	Dave Davis	Chuck McQuary	Bill Shelor	Paula Perotte	Dave Tabor	Olivia Rodriguez	Dick Weinberg
Board Committees	Planning & Marketing ~~External Affairs~~	Planning & Marketing	Planning & Marketing Fleet & Facilities	Finance & HR ~~External Affairs~~	Finance & H/R Fleet & Facilities	Finance & HR	Fleet & Facilities ~~External Affairs~~
Ad-hoc Committees	*Facilities Master Plan* Calle Real	*Facilities Master Plan*	*Facilities Master Plan* Calle Real		Calle Real		
External Committees	SBCAG Sub regional						SBCAG Coastal Express

To: MTD Board of Directors
From: Jerry Estrada, General Manager
Date: November 20, 2018
Subject: General Manager's Report

Operations, Fleet & Facilities

Congratulations to Michael Staples, one of MTD's newest Operators in Training. He successfully completed his DMV testing and SBMTD training and has assumed his own bid shift. Oliver Wheeler and Carlos Guerrero are also nearing completion of their DMV testing. MTD welcomes our newest Operator in Training, Kevin Escobar, who started his training regime a couple of weeks ago.

The non-mandatory pre-bid meeting for the Transit Center Renovations Project took place on November 5, 2018. During the meeting, MTD's design consultants provided a detailed presentation focused on the major elements of the Project. Following the presentation, attendees met at the Transit Center to walk the site and ask questions of MTD consultants and staff.

On November 12, 2018, staff took a trip to the BYD factory in Lancaster to work with BYD engineers and a representative of Vapor Bus International (the bus door manufacturer) to develop a solution for the ongoing issues with the doors on MTD's BYD buses. The plan agreed upon by all parties will necessitate sending some of MTD's BYD buses back to the factory. During the meeting, staff also inquired about the last two buses on the production line, Units #41 and #43. Unit #41 is close to completion and will be the first to undergo door repairs. Once the door repairs are completed, the bus will be ready for delivery (anticipated sometime the week of November 26, 2018). The second bus, Unit #43, is in the final stage of production and anticipated completion is in December, 2018.

Staff recently approved the final design for the 10 40' Gillig buses, marking the last element of the preproduction process for the build. The project will now transition to Gillig's production team, which will assemble the buses beginning in mid-January 2019 as scheduled.

Two proposals were submitted in response to MTD's Request for Proposals (RFP) for the Facilities Master Plan by the November 8, 2018, deadline. Staff is reviewing proposals to ensure all of the RFP requirements were met, and will then pass the proposals along to an evaluation committee for an in-depth review and scoring.

Administration

Hillary Blackerby, formerly Marketing and Community Relations Manager, has been appointed to serve as Interim Planning and Marketing Manager, and will oversee operations for both department sections. MTD celebrated Veterans Day with our current and retired MTD employees earlier this month, highlighting the many members of the MTD family who have served our nation in the Armed Forces.

Planning has completed work for the November bid, which begins on Monday, November 26, 2018, and work continues to finalize the 2019 service work plan.

Staff attended a meeting of the Santa Barbara County Association of Governments' (SBCAG's) Technical Transportation Advisory Committee (TTAC) on November 8, 2018. TTAC was asked to provide input regarding tasks to be included in SBCAG's FY 2020 Overall Work Program and received an update on the ongoing Measure A Strategic Plan update. The cash flow projections for the Strategic Plan update are more settled now that SB 1 funding is secure.

MTD staff met with City of Santa Barbara staff on November 14, 2018, to discuss the Downtown-Waterfront Shuttle. This annual “check-in” meeting is consistent with the contract with the City regarding the service.

The District submitted its annual claim for State Transit Assistance (STA) funds to SBCAG last week. The amount is just under $2 million dollars, an increase of 67% from last year as the result of new SB 1 transit funding. With the recent defeat of the initiative to repeal SB 1, MTD will continue to receive additional SB 1 funds via the STA program in futures years (with the repeal, MTD is also now assured that future SB 1 funds allocated to it by SBCAG through the new State of Good Repair (SGR) program for zero emission buses will be received). The STA program is one of the two arms of the state’s Transportation Development Act (TDA) program that also includes the Local Transportation Fund (LTF), which is claimed separately prior to the start of each fiscal year.

The bid opening for a new diesel fuel contract recently took place. The low bid was $2.40 per gallon and was from MTD’s current supplier, TAC Energy out of Texas. The amount is below the maximum of $2.70 per gallon pre-authorized by the Board for General Manager award of the $1.5 million contract. The District budgeted $2.25 last June, when oil prices were lower. With the new contract in effect for seven months of the current fiscal year, fuel costs are now estimated to exceed the budget by $50,000. With MTD verification of required contractor insurance coverage nearly complete, a signed agreement is imminent for the contract to take effect this December 1.

MTD staff believes that the latest proposal from Clever Devices for upgrading bus cellular communications from 3G to 4G is fair and reasonable. As the amount exceeds $250,000, staff will be bringing a recommendation for contract award to the Board this December 4. The upgrade is necessary because Verizon Wireless will terminate its 3G network in July 2019. The current 3G modem is limited to providing only Clever Devices cellular service and is inaccessible to MTD for repair or upgrade. The 4G modem specified for the project is an accessible external device with the capacity for multiple cellular and Wi-Fi networks. This may allow MTD to offer Wi-Fi internet service to bus riders as well as for future ITS needs such as mobile fare payment.