REGULAR MEETING
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT BOARD OF DIRECTORS
a Public Agency
Tuesday, November 17, 2020
8:30 AM
VIA TELECONFERENCE

IMPORTANT NOTICE REGARDING THIS BOARD MEETING:

This virtual meeting is being conducted utilizing teleconferencing and electronic means pursuant to State of California Executive Order N-29-20 issued by Governor Gavin Newsom on March 17, 2020, regarding the COVID-19 pandemic. The public may only view a livestream of the meeting online at: http://tinyurl.com/sbmtdyoutube

Public Participation

To make a general public comment or to comment on a specific agenda item, the following methods are available: Email, Phone, and Zoom webinar.
All comments will be limited to 3 minutes per speaker.

1. Email:
- Submit public comment to clerk@sbmtd.gov *before 12 p.m.* on the Monday prior to the Board meeting for advance distribution to the Board of Directors.
- Public comment emails submitted to clerk@sbmtd.gov *during* the meeting will be recognized *if* the email is received prior to or during the item to be addressed.
- **In ALL emailed Public Comments, please include**:
  (A) The agenda item(s) to be addressed
  (B) If you would like your comment read into the record
  (C) Public Comment text

2. Phone: Call the Zoom webinar line *10 minutes prior* to the 8:30 a.m. meeting start time:
- Toll-Free Dial-in: **(669) 900-6833.**
  - When prompted, enter Meeting ID **950 6857 5328** and then #.
  - When prompted for a password, dial **855640** and then #.
  - When the item you wish to address is announced, dial *9 to request to comment.

Please mute your phone until called to speak. If you do not have a mute button, you may mute by dialing *6. You can unmute by pressing the same keys (*6). When the chair calls for public comment, the clerk will announce you and will unmute your microphone.

3. Zoom webinar & computer audio: View the webinar at the following link at 8:30 a.m.:
https://zoom.us/j/95068575328?pwd=RFBOS2tRNXRmZEFuWk5SRFNvV3Ridz09

To give public comment via the Zoom webinar, click the “Raise Hand” button only when the item you wish to speak on has begun. When the chair calls for public comment, the clerk will announce you and will unmute your microphone. The public will not be able to share their video or screen.

BOARD OF DIRECTORS AGENDA

BOARD MEMBERS WILL JOIN VIA TELECONFERENCE

ITEMS TO BE CONSIDERED:

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 - (ACTION MAY BE TAKEN)
The Board of Directors will be asked to approve the draft minutes for the meeting of November 3, 2020.

5. CASH REPORT - (ACTION MAY BE TAKEN)
The Board of Directors will be asked to review and approve the Cash Report from the following dates: October 24, 2020 through November 6, 2020.

THIS CONCLUDES THE CONSENT CALENDAR

6. PUBLIC COMMENT
Members of the public may address the Board of Directors on items within the jurisdiction of the Board that are not scheduled for public hearing. The time allotted per speaker will be at the discretion of the Board Chair. If you wish to address the Board under this item number, see the above instructions on giving remote public comment. Additional public comment will be allowed during each agenda item, including closed session items.

7. FY 2019-20 AUDITED FINANCIAL STATEMENTS AND REPORTS - (ATTACHMENTS - INFORMATIONAL)
Staff will present the Single Audit Report for the fiscal year ended June 30, 2020 to the Board.

8. FINANCIAL UPDATE & FIRST QUARTER REVIEW OF FISCAL YEAR 2020-21 - (ATTACHMENT - INFORMATIONAL)
Staff will present an update to the Board on the current financial outlook and the first quarter results for Fiscal Year 2020-21.

9. FLEET RENEWAL CAMPAIGN RFP CONTRACT AWARD RECOMMENDATION - (ACTION MAY BE TAKEN)
Staff will request that the Board authorize the General Manager to enter into a contract with Complete Coach Works for a bus refurbishment campaign.

10. RECOMMENDATION TO AWARD A SOLE SOURCE CONTRACT TO CUMMINS PACIFIC - (ACTION MAY BE TAKEN)
Staff will request that the Board authorize the General Manager to award a contract to Cummins Pacific for the procurement of seven Cummins EPA2017 L9 diesel engines.

11. AWARD AGREEMENT FOR A WORKERS' COMPENSATION THIRD PARTY ADMINISTRATOR - (ATTACHMENTS - ACTION MAY BE TAKEN)
Staff will recommend that the Board authorize the General Manager to award and execute an agreement with Tristar Risk Management for Third-Party Administration (TPA) Services for MTD's self-insured Workers' Compensation Program.

12. GENERAL MANAGER'S REPORT - (INFORMATIONAL)
The General Manager will provide an update on district activities.

13. COMMUNICATIONS - (INFORMATIONAL)

- Correspondence - Measure A Investment Plan Amendment Letter

14. OTHER BUSINESS AND REPORTS - (INFORMATIONAL)
The Board will report on other related public transit issues and committee meetings.

15. 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 DRAFT MINUTES

REGULAR MEETING
of the
BOARD OF DIRECTORS
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
A Public Agency
Tuesday, November 3, 2019
8:30 AM
John G. Britton Auditorium
550 Olive Street, Santa Barbara, CA 93101

ITEMS TO BE CONSIDERED:

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 Director Chuck McQuary.

3. REPORT REGARDING POSTING OF AGENDA
General Manager Jerry Estrada reported that the agenda was posted on Friday, October 30, 2020, at MTD's Administrative office, mailed and emailed to those on the agenda list, and posted on MTD's website.

CONSENT CALENDAR

4. APPROVAL OF PRIOR MINUTES - (ACTION MAY BE TAKEN)
The Board of Directors was asked to approve the draft minutes for the meeting of October 20, 2020.

5. CASH REPORT - (ACTION MAY BE TAKEN)
The Board of Directors was asked to review and approve the Cash Report from the following dates: October 10, 2020 through October 23, 2020.

Vice Chair Dave Tabor moved to approve the consent calendar. Director Olivia Rodriguez seconded the motion. Chair Davis opened a roll call vote and the motion passed unanimously.

THIS CONCLUDES THE CONSENT CALENDAR

6. PUBLIC COMMENT
No public comments were made.

7. ZERO EMISSION BUS (ZEB) POWER MODELING REPORT - (ATTACHMENT - INFORMATIONAL)

Capital Projects Manager Ryan Gripp introduced the Draft "ZEB Power Modeling Final Report" to the Board. The following Stantec representatives presented study results and recommendations: David Verbich, Sasha Pejcic, and Analy Castillo.

8. APPROVAL OF PUBLIC TRANSPORTATION AGENCY SAFETY PLAN - (ATTACHMENTS - ACTION MAY BE TAKEN)

Director of Human Resources & Risk Mary Gregg presented Resolution 2020-05 approving MTD's Public Transportation Agency Safety Plan in compliance with 49 Code of Federal Regulations Part 673. Easy Lift Executive Director Ernesto Paredes joined the panelist panel to answer questions from the Board.

Director Rodriguez moved to adopt Resolution 2020-05 approving MTD's Public Transportation Agency Safety Plan. Vice Chair Dave Tabor seconded the motion. Chair Davis opened a roll call vote and the motion passed unanimously.

9. RENEWAL OF STAFF HEALTH INSURANCE EFFECTIVE JANUARY 1, 2021 - (ACTION MAY BE TAKEN)

Ms. Gregg recommended that the Board authorize the General Manager to renew Staff health insurance policies for the plan year effective January 1, 2021.

Director Paula Perotte moved to authorize the General Manager to renew Staff health insurance policies. Director Dick Weinberg seconded the motion. Chair Davis opened a roll call vote and the motion passed unanimously.

10. GENERAL MANAGER'S REPORT - (INFORMATIONAL)

General Manager Estrada provided an update on the district activities and answered questions from the Board.

11. OTHER BUSINESS AND REPORTS - (INFORMATIONAL)

No other business was discussed.

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

The Board met in closed session, pursuant to Government Codes § 54957 and § 54954.5(e), to evaluate the performance of the District's General Manager.

No public comments were made prior to recess. The Board recessed at 9:52 AM.

The Board returned from recess at 10:37 AM. Chair Davis reported that no action was taken.

13. ADJOURNMENT

Vice Chair Tabor moved to adjourn the meeting. Director Rodriguez seconded the motion. The motion passed unanimously and the meeting was adjourned at 10:37 AM.

Santa Barbara Metropolitan Transit District

Cash Report

Board Meeting of November 17, 2020

For the Period October 24, 2020 through November 6, 2020

MONEY MARKET

Beginning Balance October 24, 2020				**$4,935,699.92**
Accounts Receivable			1,054,322.35	
Property Tax Revenue			30,786.22	
Passenger Fares			5,985.00	
Miscellaneous Income			7.58	
Measure A Transfer			.00	
Total Deposits			**1,091,101.15**	
Miscellaneous Transfers			(545.97)	
401(k)/Pension Transfer			(32,313.84)	
Payroll Taxes			(137,655.32)	
Payroll			(316,607.55)	
Accounts Payable			(418,683.40)	
Total Disbursements			**(905,806.08)**	
CERTIFICATES OF DEPOSIT				
Institution	**Maturity**	**Rate**		
American Riviera Bank	2/28/2021	2.00%	1,522,648.89	
Total Certificates of Deposit			**1,522,648.89**	
				$1,522,648.89
Ending Balance				**$6,643,643.88**

CASH INVESTMENTS

LAIF Account	$5,859,597.74	
Money Market Account	6,643,643.88	
Total Cash Balance		**$12,503,241.62**

SELF INSURED LIABILITY ACCOUNTS

WC / Liability Reserves	($4,790,440.54)	
Working Capital		**$7,712,801.08**

Santa Barbara Metropolitan Transit District
Cash Receipts of Accounts Receivable

Date	Company	Description	Amount
10/30/2020	Jim Haggerty	Retiree - Vision Oct '20	12.20
11/3/2020	Montecito Bank & Trust	Advertising on Buses	3,247.00
11/3/2020	Santa Barbara County APCD	Capital Reimbursement	36,871.00
11/5/2020	Local Transportation Fund	SB 325 - Oct '20	781,318.60
11/5/2020	Measure A, Section 3 LSTI	Measure A Funds Oct '20	231,925.35
11/6/2020	Jim Haggerty	Retiree - Vision Nov '20	12.20
11/6/2020	True Media LLC/Cottage Health	Advertising on Buses	936.00
		Total Accounts Receivable Paid During Period	**$1,054,322.35**

Santa Barbara Metropolitan Transit District
Accounts Payable

Check #	Date	Company	Description	Amount	Voids
125180	10/29/2020	ABC BUS COMPANIES INC	BUS PARTS	663.89	
125181	10/29/2020	ADVANCED CABLE SYSTEMS COR	CABLING/CAMERA INSTALLATIONS	1,438.16	
125182	10/29/2020	BAY ALARM COMPANY, INC	ALARM CONTRACT	688.81	
125183	10/29/2020	CALIFORNIA ELECTRIC SUPPLY, I	SHOP/B&G SUPPLIES	256.95	
125184	10/29/2020	CELTIS VENTURES, INC.	MARKETING SERVICES	1,996.95	
125185	10/29/2020	CINTAS CORPORATION	FIRST AID SUPPLIES	252.07	
125186	10/29/2020	COX COMMUNICATIONS, CORP.	INTERNET & CABLE TV	295.00	
125187	10/29/2020	CUMMINS SALES & SERVICE dba	BUS PARTS & REPAIRS	6,668.15	
125188	10/29/2020	DIESEL FORWARD, INC.	BUS PARTS	3,548.19	
125189	10/29/2020	DIVERSIFIED TRANSPORTATION S	FREIGHT CHARGES	176.60	
125190	10/29/2020	EVERSHADE LLC DBA	STEAM CLEANING BUS STOPS	1,480.00	
125191	10/29/2020	FEDEX dba	FREIGHT CHARGES	174.61	
125192	10/29/2020	GIBBS INTERNATIONAL INC	BUS PARTS	184.83	
125193	10/29/2020	GILLIG LLC	BUS PARTS	2,778.02	
125194	10/29/2020	GOODYEAR TIRE & RUBBER CO	BUS TIRE LEASE	10,449.56	
125195	10/29/2020	GRAPHICINK	PRINTING SERVICES	1,790.03	
125196	10/29/2020	GRAINGER, INC.	SHOP/B&G SUPPLIES	294.43	
125197	10/29/2020	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	95.90	
125198	10/29/2020	MC CORMIX CORP. (GAS)	FUEL-SERVICE VEHICLES	1,123.41	
125199	10/29/2020	MCMASTER-CARR SUPPLY CO.	SHOP/B&G SUPPLIES	81.73	
125200	10/29/2020	MOHAWK MFG. AND SUPPLY CO.	BUS PARTS	112.36	
125201	10/29/2020	MOLINA MANUFACTURING D	REFURBISH BUS SEATS	5,610.16	
125202	10/29/2020	NEOPART TRANSIT LLC	BUS PARTS	1,092.75	
125203	10/29/2020	NETWRIX CORPORATION	SECURITY SOFTWARE	1,290.00	
125204	10/29/2020	NFI PARTS DBA	BUS PARTS	3,511.79	
125205	10/29/2020	PERMACOLOR POWDER COATING	SHOP SUPPLIES	436.00	
125206	10/29/2020	QWIKRESPONSE RESTORATION	COVID-19 CLEANING	2,900.00	
125207	10/29/2020	SB LOCKSMITHS, INC.	B&G REPAIR & SUPPLIES	33.48	
125208	10/29/2020	SM TIRE, CORP.	BUS TIRE MOUNTING	272.00	
125209	10/29/2020	SO. CAL. EDISON CO.	UTILITIES	370.04	
125210	10/29/2020	SB CITY OF-REFUSE/WATER	UTILITIES	2,537.73	
125211	10/29/2020	TRUMAN ARNOLD COMPANIES (T	DIESEL FUEL	21,164.91	
125212	10/29/2020	U.S. BANK CORP. PAYMENT SYST	CREDIT CARD PURCHASES	1,767.79	
125213	10/29/2020	VERIZON WIRELESS	WIRELESS PHONES & AIM CELLULAR	591.70	
125214	10/29/2020	WURTH USA WEST INC.	SHOP SUPPLIES	204.66	
125215	11/6/2020	ABC BUS COMPANIES INC	BUS PARTS	1,082.21	
125216	11/6/2020	ALLIED ELECTRONICS, INC	BUS PARTS	635.53	
125217	11/6/2020	AMERICAN MOVING PARTS, LLC	BUS PARTS	1,648.29	

Check #	Date	Company	Description	Amount	Voids
125218	11/6/2020	BIG BRAND TIRES, BRANDCO BILL	SERVICE VEHICLE MAINTENANCE	168.69	
125219	11/6/2020	BNS ELECTRONICS, INC.	SANTA YNEZ SITE RENTAL	305.00	
125220	11/6/2020	BREMSKERL NORTH AMERICA, IN	BUS PARTS	1,522.50	
125221	11/6/2020	CHARGEPOINT, INC.	BOLT EV CHARGING STATION MAINT	271.88	
125222	11/6/2020	COMMUNITY RADIO, INC.	GIBRALTAR SITE RENTAL	273.85	
125223	11/6/2020	COX COMMUNICATIONS, CORP.	INTERNET & CABLE TV	410.82	
125224	11/6/2020	CUMMINS SALES & SERVICE dba	BUS PARTS & REPAIRS	433.16	
125225	11/6/2020	FIRST LOAN	PAYROLL RELATED	50.00	
125226	11/6/2020	FLEET SERVICES, INC.	BUS PARTS	621.82	
125227	11/6/2020	STATE OF CALIFORNIA	PAYROLL RELATED	32.50	
125228	11/6/2020	GIBBS INTERNATIONAL INC	BUS PARTS	1,705.58	
125229	11/6/2020	GILLIG LLC	BUS PARTS	2,561.97	
125230	11/6/2020	GUARDIAN-APPLETON (DENTAL I	DENTAL INSURANCE	5,081.94	
125231	11/6/2020	GUARDIAN-APPLETON (LIFE INS)	LIFE INSURANCE	1,080.70	
125232	11/6/2020	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	25.86	
125233	11/6/2020	HR AUTOGLASS DBA	BUS PARTS/REPAIRS	245.00	
125234	11/6/2020	LANSPEED DBA	IT SERVICES	1,500.00	
125235	11/6/2020	MARBORG INDUSTRIES (INC)	UTILITIES & RENTAL FEES	213.75	
125236	11/6/2020	MC CORMIX CORP. (OIL)	LUBRICANTS	3,183.86	
125237	11/6/2020	MCMASTER-CARR SUPPLY CO.	SHOP/B&G SUPPLIES	210.64	
125238	11/6/2020	MEDICAL EYE SERVICES, INC.	VISION INSURANCE	579.50	
125239	11/6/2020	MIKE CUEVAS GARDENING SERVI	LANDSCAPE MAINTENANCE SERVICE	242.75	
125240	11/6/2020	MISSION LINEN SUPPLY, INC	UNIFORM & LINEN SERVICE	6,576.97	
125241	11/6/2020	MOUSER ELECTRONICS	VEHICLE BUS PARTS	356.52	
125242	11/6/2020	MULLEN & HENZELL	CALLE REAL PROJECT SERVICES	3,251.21	
125243	11/6/2020	MUNOZ JANITORIAL	JANITORIAL/DISINFECTANT SERVICE	26,720.00	
125244	11/6/2020	NEOPART TRANSIT LLC	BUS PARTS	54.05	
125245	11/6/2020	NEWTON CONSTRUCTION & MGM	TRANSIT CENTER RENOVATIONS	98,701.87	
125246	11/6/2020	NFI PARTS DBA	BUS PARTS	1,266.56	
125247	11/6/2020	PREVOST CAR (US) INC.	BUS PARTS	49.75	
125248	11/6/2020	POWERSTRIDE BATTERY CO.	BATTERIES	598.89	
125249	11/6/2020	LETICIA RAMIREZ	PAYROLL RELATED	650.00	
125250	11/6/2020	SAFETY-KLEEN CORPORATION	SHOP SUPPLIES	341.82	
125251	11/6/2020	SB COUNTY FEDERAL CREDIT UNI	PAYROLL DEDUCTION	260.00	
125252	11/6/2020	SILVAS OIL CO., INC.	LUBRICANTS	428.37	
125253	11/6/2020	SM TIRE, CORP.	BUS TIRE MOUNTING	607.82	
125254	11/6/2020	SO. CAL. EDISON CO.	UTILITIES	3,417.63	
125255	11/6/2020	SOAP MAN DISTRIBUTIN DBA	CLEANING SUPPLIES	264.10	
125256	11/6/2020	STAPLES CONTRACT & COMMERC	OFFICE SUPPLIES	380.47	
125257	11/6/2020	STATE BOARD OF EQUALIZATION	PAYROLL RELATED	250.00	
125258	11/6/2020	SB CITY OF-REFUSE/WATER	UTILITIES	1,881.49	

Check #	Date	Company	Description	Amount	Voids
125259	11/6/2020	THE COUNTRY MEAT MARKET IN	VETERAN'S DAY BBQ	3,374.95	
125260	11/6/2020	THE MEDCENTER	MEDICAL EXAMS	3,559.00	
125261	11/6/2020	TEAMSTERS PENSION TRUST	UNION PENSION	86,037.75	
125262	11/6/2020	TEAMSTERS UNION LOCAL NO. 18	UNION DUES	9,639.25	
125263	11/6/2020	TRUMAN ARNOLD COMPANIES (T	DIESEL FUEL	63,642.22	
125264	11/6/2020	VALLEY POWER SYSTEMS, INC.	BUS PARTS	5,048.59	
125265	11/6/2020	WAXIE SANITARY SUPPLY DBA	JANITORIAL SUPPLIES	48.33	
125266	11/6/2020	WAYTEK INC.	BUS PARTS & SHOP SUPPLIES	66.89	
125267	11/6/2020	WESTERN JANITOR SUPPLY, INC	BUS CLEANING SUPPLIES	788.44	
				418,683.40	
			Current Cash Report Voided Checks:	0.00	
			Prior Cash Report Voided Checks:	0.00	
			Grand Total:	**$418,683.40**	

SANTA BARBARA MTD

BOARD OF DIRECTORS REPORT

MEETING DATE: NOVEMBER 17, 2020 **AGENDA ITEM: #7**

DEPARTMENT: FINANCE

TYPE: INFORMATIONAL ITEM

PREPARED BY: BRAD DAVIS

____
Signature

REVIEWED BY: GENERAL MANAGER

____
Signature

SUBJECT: FY 2019-20 AUDITED FINANCIAL STATEMENTS AND REPORTS

DISCUSSION:

Attached are the audited financial statements and corresponding compliance reports and letters for the fiscal year ended June 30, 2020. The audit was carried out by Brown Armstrong Accountancy Corporation and the audit results will be presented to the Board by Ryan Nielsen, the Brown Armstrong partner in charge of the audit.

Under auditing standards, staff's decision to cancel the yearend bus parts inventory due to the COVID-19 pandemic requires the reporting of a finding. In the Independent Auditor's Report found on page 2 of the Financial Statements, it states: "We were unable to satisfy ourselves regarding inventory quantities and adjustments [.]…In our opinion, except for the possible effects of the matter described…above,…the financial statements…present fairly, in all material respects, the respective financial position of the District as of June 30, 2020[.] The District is provided an opportunity to respond to the finding and has done so including the specific County and CDC guidelines leading to the inventory cancellation decision. No other issues or concerns are noted by the auditor in the reports.

ATTACHMENTS:

- Financial Statements & Required Supplementary Information
- Compliance Reports
- Agreed Upon Conditions (Findings) Report
- Auditor Communications Letter to the Board

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
JUNE 30, 2020 AND 2019

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Santa Barbara Metropolitan Transit District (District) as of and for the fiscal years ended June 30, 2020 and 2019, and the related notes to the basic 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 basic 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 basic 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 basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

We did not observe the taking of the physical inventory as of June 30, 2020, since the District elected not to perform for the fiscal year ended June 30, 2020, due to health and safety concerns related to the COVID-19 pandemic. We were unable to satisfy ourselves regarding inventory quantities and adjustments by means of other auditing procedures. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

In our opinion, except for the possible effects of the matter described in the paragraph above for the June 30, 2020 financial statements, the financial statements referred to in the preceding above present fairly, in all material respects, the respective financial position of the District as of June 30, 2020 and 2019, and the respective changes in financial position, and cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the year ended June 30, 2020, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion was not affected by the implementation.

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 4 - 15 and Schedule of Changes in the Net Other Postemployment Benefits (OPEB) Liability and Related Ratios on page 48, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 November 11, 2020, 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION
Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 11, 2020

This *Management's Discussion and Analysis* for Fiscal 2019-20 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 with an economic resources measurement focus using an accrual accounting basis. Revenue is recorded when earned and expenses are recorded when incurred.

Financial Reports

There are four basic financial statements included in this audit report which are followed by notes to the financial statements. A separate document, 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 *Statement 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 *Statement 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 Revenues, 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 District's financial condition was materially affected by the economic consequences of the ongoing COVID-19 pandemic. The most significant fiscal action, taken to protect employee and customer health and safety, was the suspension of fare collection in late March 2020. Offsetting the revenue loss to some degree was a reduction in transit services due to reduced demand, mainly from school closures. There were other pandemic-related revenue losses and expense increases as well. Largely mitigating the negative fiscal impact of these events was the receipt of emergency federal financial assistance as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

The *Net Position* of the District at June 30, 2020, which measures the amount that assets exceed liabilities, was $49.5 million, up 7% for the year. This change is based solely on the capital activities for the year as the receipt of CARES Act funding balanced the operating budget thus not effecting net position. Without the additional funding, the District would have experienced a $1.3 million operating deficit in FY 19-20. This overview will be discussed and analyzed in the remainder of this *Management's Discussion and Analysis* for Fiscal Year 2019-20.

Statements of Net Position

The District's financial position expanded as measured by value of its assets. Total assets increased by $6.1 million while liabilities grew by $3 million, which accounted for the change in total *Net Position*. The table below is an abridged version of the *Statements of Net Position* included on page 16 of this audit report.

Assets – The $61.7 million in *Total Assets* at June 30, 2020, represents 11% growth from the prior year. *Current Assets*, comprised mainly of cash, receivables, and inventory, rose 7% overall. The increase for the most part was due to other receivables and cash inflows for capital revenue in addition to the CARES Act relief.[1] The size of the bus parts inventory was further reduced with additional disposals of obsolete parts from retired fleets and the warranty coverage on the newer fleets.

Statements of Net Position
(thousands of dollars)

	2019-20	2018-19	Change
Assets			
Current Assets	$ 20,252	$ 18,871	7%
Non-Current Assets	1,152	1,388	-17%
Capital Assets	40,264	35,349	14%
Total Assets	61,668	55,608	11%
Deferred Outflows of Resources	60	-	N/A
Total Assets and Deferred Outflows of Resources	61,728	55,608	11%
Liabilities			
Current Liabilities	3,738	2,517	49%
Non-Current Liabilities	8,438	6,658	27%
Total Liabilities	12,176	9,175	33%
Deferred Inflows of Resources	65	-	N/A
Net Position			
Net Investment in Capital Assets	38,403	35,349	9%
Unrestricted	11,084	11,084	0%
Total Net Position	49,487	46,433	7%
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 61,728	$ 55,608	11%

[1] The strong yearend cash position is temporary as it is being used to cover the continuing loss of operating revenue in FY 20-21 due to the pandemic.

Non-Current Assets of $1.2 million were made up of advance grant funds received from the state for operating and capital activities not completed by yearend. The balance decreased as a whole in FY 19-20 as the remaining Prop 1B capital funds were used. This was countered somewhat by receipt of the second year of Low Carbon Transit Operations Program (LCTOP) funds allocated for the planned microtransit service.

The $40.3 million value of the District's *Capital Assets (net)* grew by nearly $4.9 million during the fiscal year. This is reflective of newly acquired fixed assets with a value of $9.7 million offset by the year's depreciation expense and asset disposals. Included in the capital assets is the $2.2 million capital lease entered into for six of the BYD 30' electric buses. A description of the asset acquisitions is found later in this review.

Liabilities – For the District, liabilities continue to make up a relatively small part of its overall financial position, representing only 20% of assets. This is largely attributable to the full funding of retirement plans. With that said, this year did see a 33% increase in Total Liabilities to $12.2 million. The majority of the upsurge is from the new $1.9 million capital lease liability that represents the payments due over the life of the lease. The expansion in Current Liabilities was brought about chiefly from recording credits for prepaid Santa Barbara Business College (SBCC) fares and University of California, Santa Barbara (UCSB) Line 28 subsidies resulting from pandemic-related service cutbacks and suspension of fare collection. The current portion of the lease liability also added to the short-term liabilities. For Non-Current Liabilities, the steep rise is due in large part to the capital lease liability. Increases in reserves for liability and workers' compensation claims of $450,000 was the other primary cause of the growth in liabilities.

Net Position – The total net position of the District increased by 7% to $49.5 million in FY 19-20. The first component of net position is *Net Investment in Capital Assets* of $38.4 million. This represents the capital funding used for the District's capital assets adjusted for the accumulated depreciation expense. The District's year end *Unrestricted Net Position* balance was $11.1 million and was unchanged from the prior year. Changes to *Unrestricted Net Position* correspond to operating surpluses and deficits. This year, the operating budget was balanced from the receipt of CARES Act funding. *Unrestricted Net Position* is representative of the *Current Assets* that are not dedicated to specific purposes or liabilities. Thus, it is the source of District cash reserves.

Statements of Revenues, Expenses and Changes in Net Position

The emphasis of the *Statements of Revenues, Expenses and Changes in Net Position* is to show how all revenues and expenses lead to the change in *Net Position* for the year. As such, it differs from a typical income statement in that it is not limited to operating revenues and expenses. On the following page is a modified version of the *Statements of Revenues, Expenses and Changes in Net Position* that organizes revenues and expenses by purpose to assist in the discussion.

Operating Revenue – With the suspension of fare collection in March 2020, *Fare Revenue* of $5.3 million for FY 19-20 year was down 26% from the prior year. The suspension affected fare sources across the board including cash, discount passes, and local agency contract revenue from Santa Barbara City College, the University of California at Santa Barbara, the City of Santa Barbara, and some smaller sources. Up to the time that school closures began in early March, aggregate fare revenue had been essentially unchanged from the prior year. The financial impact of the continued fare suspension into the ensuing fiscal year is addressed in the Financial Outlook.

Statements of Revenues, Expenses, and Changes in Net Position
(thousands of dollars)

	2019-20	2018-19	Change
Revenues			
Fare Revenue	$ 5,276	$ 7,167	-26%
LTF Operating Revenue	8,074	7,921	2%
Federal Operating Grants	7,533	5,256	43%
Measure A Operating Revenue	2,217	2,264	-2%
State & Local Operating Support	1,283	1,410	-9%
Property Tax Revenue	1,385	1,296	7%
Non-Transportation Income	1,495	889	68%
Total Operating Revenues	27,263	26,203	4%
STA Capital Revenue	3,973	688	477%
Federal Capital Grants	1,415	5,290	-73%
Measure A Capital Revenue	968	971	0%
Other State Capital Funds	1,168	1,094	7%
Total Capital Revenue	7,524	8,043	-6%
Total Revenue	$ 34,787	$ 34,246	2%
Expenses			
Route Operations	16,676	15,835	5%
Vehicle Maintenance	5,761	5,937	-3%
Passenger Accomodations	1,501	1,487	1%
General Overhead	3,374	3,046	11%
Total Operating Expenses	27,312	26,305	4%
Loss on Disposal of Assets	315	77	309%
Other Post-Employment Benefit Adjustment	(26)	154	-117%
Capital Asset Depreciation/Amortization	4,132	3,975	4%
Total Non-Operating Expenses	4,421	4,206	5%
Total Expenses	$ 31,733	$ 30,511	4%
Change in Net Position	3,054	3,735	
Beginning of Year	46,433	42,698	9%
End of Year Net Position	$ 49,487	$ 46,433	7%

The SB325 Local Transportation Fund (LTF), part of the State Transportation Development Act (TDA), provided $8.1 million in support of operations, a 2% rise from FY 18-19. As LTF is generated from sales tax receipts, a decrease in such revenue was expected due to slower retails sales in the last four months of the fiscal year. While receipts were down in the final quarter, the drop was not sufficient to overcome the strong showing through February. This was in part due to a residual LTF payment from the FY 18-19 made in FY 19-20.

The majority of federal operating revenue of $7.5 million was from Section 5307 formula assistance from the Federal Transit Administration (FTA). The remainder of $1.4 million is from the CARES Act funds used to offset the operating deficit. Actual revenue losses and expenses due to the fiscal impact of COVID-19 came to $2.2 million. However, the drawdown of the federal emergency funds was limited to the District's $1.3 million operating deficit for the year.

Locally generated *Measure A Sales Tax Revenue* for operating purposes decreased by 2% from the previous fiscal year. As with LTF Operating Revenue, a larger decrease was expected. State & Local Operating Support was comprised of $1.1 million from UCSB for the Lines 12, 24, and 28; $127,000 from Santa Barbara County Association of Governments (SBCAG) for the first-last mile Amtrak commuter service; and $80,000 in LCTOP funds to support marketing costs. The 9% revenue decrease was due to the suspension of the Line 28 and first/last mile service in the final quarter.

Property Tax Revenue was up 7% from the prior fiscal year. FY 18-19 revenue had grown only 1% after increasing by double digits for several years. Real estate sales and appreciation in FY 19-20 indicated a return to the previous above average performance. Most *Non-Transportation Income* is typically from bus space advertising, lease revenue, and interest income. This year it experienced a substantial boost due to a $759,000 reimbursement from the State for underground storage tank (UST) removal and cleanup costs incurred in 2008.

Capital Revenue – More than half of the year's $7.5 million in capital funding was from the TDA's SB620 State Transit Assistance (STA) fund. The $4 million was used to cover capital costs not funded from project-dedicated grants. Measure A capital revenue of $1 million was used in a similar fashion. Federal capital funds supported payments for the last four of the eight BYD buses and four replacement paratransit vans for Easy Lift. Other capital funds were from several state sources that included $300,000 in Transit and Intercity Rail Capital Program (TIRCP) funds passed through an SBCAG grant for the Facilities Master Plan; the last of the Prop 1B program funds used the Transit Center; and State of Good Repair capital revenue covering a portion of the BYD bus costs.

Operating Expenses – The District expended $27.3 million for the provision of transit service during FY 19-20 year. The makeup of this 4% uptick from the previous fiscal year is the result of various trends and outcomes that are discussed in the ensuing paragraphs.

Outlays in *Route Operations* rose 5% relative to FY 18-19. Direct costs for bus driving, supervision, hiring, and training were down for the year due to service adjustments in response to the pandemic. However, such reductions were outweighed by an escalation in costs related to workers' compensation and general liability. Of note, workers' compensation reserves decreased in the second half of the year after a sharp rise in the first half leading to costs being under budget.

District expenses for *Vehicle Maintenance* decreased by 3%. There were a number of offsetting factors including higher payroll from full employment of budgeted positions for much of the fiscal year; a sizeable decrease in workers' compensation costs from reserve adjustments; a reduction in bus parts costs attributable mainly to high prior year expenses from an inventory write-off; and increased diesel fuel costs due to a very favorable price in the first half of FY 18-19.

Passenger Accommodations includes planning, marketing, customer service, passenger facility maintenance, and fare revenue collection. As a whole, the $1.5 million in expenditures rose less than 1% from FY 18-19. There was a much needed addition to planning staff to expand analytical capabilities and assist with the large workload. Most other functions experienced expense reductions associated with the service cutbacks and closure of the Transit Center for renovation. Areas affected included customer service staffing, marketing activities, and fare collection needs.

Expenditures for *General Overhead* rose 11% to $3.4 million. The majority of the increase stemmed from two specific matters. These include the health and safety costs incurred as a result of the pandemic; and increased use of professional services, most notably the commission paid to the consultant responsible for the $758,000 UST reimbursement.

Non-Operating Expenses – Non-operating costs are comprised of transactions not directly related to the District's normal activities. These include the depreciation expense of fixed assets; disposal "losses" which represent the undepreciated portion of retired fixed assets; and the annual OPEB liability adjustment, which actually resulted in a small cost reduction this year.

Budget Analysis

For a meaningful analysis, this discussion and the table below does not include the CARES Act funding that balanced the budget. The operating deficit of $1.3 million varies considerably with the midyear projection of a $522,000 shortfall. This is largely from the impact of the COVID-19 pandemic on fare revenue. Countering the revenue budget results was a decline in expenses, most of which were in the form of service reductions in response to reduced ridership demand plus improved workers' compensation results. The operating expenses decrease limited the severity of the operating deficit which otherwise would have been double the amount.

FY 19-20 Operating Budget Variance
(thousands of dollars)

	Actual	Budget	Change
Revenues			
Fare Revenue	$ 5,276	$ 7,228	-27%
LTF Sales Tax Revenue	8,074	8,102	0%
STA Sales Tax Revenue	-	600	n/a
Federal Operating Assistance*	6,250	5,574	12%
Measure A Sales Tax Revenue	2,217	2,130	4%
Miscellaneous Grants	1,283	1,643	-22%
Property Tax Revenue	1,385	1,342	3%
Non-Transportation Income	1,517	1,611	-6%
Total Revenues	26,002	28,230	-8%
Expenses			
Route Operations	16,676	17,879	-7%
Vehicle Maintenance	5,761	5,848	-1%
Passenger Accomodations	1,501	1,626	-8%
General Overhead	3,374	3,399	-1%
Total Expenses	27,312	28,752	-5%
Operating Deficit	$ (1,310)	$ (522)	

*Federal Operating Assistance excludes CARES Act funding for budget and deficit analysis.

Operating Revenue Budget – As noted, *Fare Revenue* was substantially under budget as a result of the fare suspension and ridership decline in light of the coronavirus health emergency. *LTF Sales Tax Revenue* was in line with the budget due to a pre-pandemic revenue surplus offsetting the fourth quarter decline. The FY 19-20 budget included the allocation of STA funds, normally reserved for capital projects, towards transit operations. This was part of preparing for the likely loss of federal operating funds in two years—discussed in the Financial Outlook—and also included reallocating federal formula funds to the capital budget. However, due to the high midyear deficit and the anticipated fiscal effects of the pandemic, all federal funding was reallocated back to operations, which resulted in *Federal Operating Assistance* exceeding the budgeted level by a wide margin. Locally generated *Measure A Sales Tax Revenue* also topped the budget because the early year results overcame the nominal reduction in receipts in the final quarter. *Miscellaneous Grants* were well under budget from the suspension of the Line 28 and first-last mile service subsidized by UCSB and SBCAG.

Operating Expense Budget – Total operating expenses of $27.3 million were 5% less than budgeted with the bulk of the variance falling within *Route Operations.* As earlier cited, a service level reduction was a large factor as revenue hours were cut back by 11% in early April 2020. Workers' compensation and general liability costs were also well under budget. This was mostly due to changes in claim reserve levels rather than actual cash outlays. *Vehicle Maintenance* costs were slightly less than expected as the reduced service level resulted in lower fuel and other consumable costs. As in *Route Operation*, workers' compensation was also well under budget from reserve changes. Such expense reductions were largely offset by the write-off of obsolete inventory. Overall *Passenger Accommodations* expenditures in FY 19-20 were down 8%. Again, the service cutbacks were the key factor as reviewed above: a reduction in customer service staffing, marketing activities, and fare collection costs. Expenses required to support *General Overhead* were just short of the budgeted figure. The most notable item was the unexpected expenditures in response to the pandemic. These were offset by personnel cost reductions from unfilled budgeted positions. Additionally, outlays for legal services, service vehicle maintenance, and miscellaneous services were less than projected.

Capital Assets

Capital expenditures for tangible assets for the year came to $7.5 million. The renovation of the Transit Center, the District's primary passenger hub, was the main focus of capital projects this year, comprising nearly half of capital outlays.[2] Revenue vehicle outlays for the BYD 30' electric buses included payment for the remaining four of the eight vehicles being purchased outright as well lease payments for the remaining six buses.[3] The District also purchased four replacement vans for use by Easy Lift for the provision of Americans with Disabilities Act paratransit services. A large part of operating facility outlays was for the Facilities Master Plan, further discussed in the Financial Outlook section. Facility improvements also included new charging infrastructure for 10 new emission-free Chevrolet Bolts, upgrades to the bus fueling system, and the installation of a "fall arrest" safety system for working on bus systems located on the roof. The emphasis of IT and security outlays was on enhanced video camera systems and coverage and additional data system protections from the continued rise in malware and other attacks. Efforts to develop the District's Calle Real property continued, which is discussed in the *Financial Outlook*.

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[2] The renovation work was completed and the Transit Center reopened in September 2020.

[3] Terms of the capital lease are detailed in footnote 6 to the financial statements.

Capital Acquisitions
(thousands of dollars)

Asset Category	2019-20	2018-19
Passenger Facilities	$ 3,700	$ 150
Revenue Vehicles	2,560	7,087
Operating Facilities	571	57
Non-Revenue Equipment	370	27
IT & Other Equipment	142	163
Property Development	137	152
Intelligent Transportation Systems	44	407
Total Capital Acquisitions	$ 7,524	$ 8,043

Other Post-Employment Benefits (OPEB)

The District established an irrevocable trust in 2017 for the purpose of setting aside funds to cover future retiree health benefit costs. The trust has been funded a total of $1.5 million since inception. The District's total OPEB liability at the end of FY 19-20, before taking prefunding into account, was $2.7 million, which is nearly unchanged from the prior year. The normal annual increase was alleviated by establishing a sunset date for staff eligibility for the retirement health benefit, which affected the actuarial valuation. With the $1.5 million in prefunding and accumulated investment earnings, the net OPEB liability was $1.1 million at yearend. This is also roughly the same as last year maintaining the level that the OPEB liability is funded at 59%.

The District drew down funds from the OPEB trust to cover the cost of retiree health benefit reimbursements during the two most recent fiscal years. This was done temporarily as one of several measures to reduce annual operating deficits. The result was the full offset of the FY 18-19 expense of $65,000 and FY 19-20 outlays of $70,000. This practice has been discontinued in FY 20-21 to maximize trust account growth in order to further decrease the net OPEB liability.

Financial Outlook

The worldwide COVID-19 pandemic creates significant uncertainty about the District's financial resources as well as the scope of its transit services on Santa Barbara's South Coast. The fiscal effects stem from reduced operating revenue, decreased revenue service, and increased expenses for additional health and safety measures. The negative financial impact from these factors in the final three and half months of FY 19-20 amounted to $2.2 million. The projected deficit for FY 20-21 is $8.6 million with the vast majority of the shortfall resulting from the pandemic. Detailed budget estimates beyond this period have not yet been prepared due to the large uncertainty about future conditions. A cash flow analysis through FY 21-22 has been prepared using conservative estimates that indicate a rapid decline of reserves without new funding.

In response to the far reaching effects of COVID-19 on the nation, the CARES Act was signed into law on March 27, 2020. The bill provided more than $2 trillion dollars in aid with a $25 billion allocation to the FTA. U.S. Transportation Secretary Elaine L. Chao stated, "This historic $25 billion in grant funding will ensure our nation's public transportation systems can continue to provide services to the millions of Americans who depend on them." The District was appropriated $16.4 million of the FTA allocation for this purpose. As written, the bill does not include a deadline for relief funding use. It is available for as long as eligible costs and losses are incurred. The subsidy is to support public transit in the Santa Barbara urbanized area (UZA). As such, the District intends to distribute a portion of the CARES Act funding to provide relief for pandemic-related costs incurred by Easy Lift and the Clean Air Express.

Although the negative fiscal impact of the pandemic was $2.2 million, the operating budget deficit was limited to $1.3 million. The difference is the result of two changes in the second half of the fiscal year: FTA funding previously set aside for capital purposes was reallocated back to operations; and workers' compensation reserves were markedly reduced between January and June. Had these not occurred, the operating deficit would have exceeded the $2.2 million.

<u>Fare Revenue</u> – The FY 20-21 budget is predicated on the resumption of fare collection in January 2021. However, when resumption occurs will depend upon the status of COVID-19 health pandemic and related measures in place. When collection does restart, revenue will be limited by passenger capacity mandates as well as customer perception of the safety of using public transit. Contract fares for UCSB and SBCC student ridership and subsidies for the Line 28 and first-last mile service are presumed to resume at the same time. Yet, most of these sources are dependent upon the status of on-campus teaching. In short, significant uncertainty remains making it challenging to project fare revenue in FY 20-21 and beyond.

With the FY 20-21 fare revenue budget assumptions, the projected farebox return ratio[4] for the year is 4%. The reasons for this unprecedented low are self-evident. In FY 19-20, the ratio was down to 19% due the final quarter results. The 27% attained in the prior year was a more typical figure. Until further notice, the state has eliminated the minimum farebox ratio criteria in determining TDA funding eligibility.

<u>Sales Tax Revenue</u> – The District's largest subsidies are based on sales tax revenue, primarily from the TDA's LTF and STA programs, and local Measure A proceeds. Because such revenue is derived from the level of economic activity, it is expected to be measurably impacted by the COVID-19 pandemic. With the shutdown of schools and many businesses, increased unemployment, and stay-home orders last spring, the District anticipated an initial severe reduction in sales tax revenue that would return to pre-COVID-19 levels over the next two years.

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[4] The farebox return ratio is equal to fare revenue divided by operating. It is a key performance indicator measuring the ability of a transit operator to cover its operating costs with fare alone.

Fortunately, District LTF and Measure A revenue has not dropped precipitously to the estimated levels over the ensuing months. LTF and Measure A receipts in the final quarter of FY 19-20 were down 15% relative to the prior year, a much smaller decline than expected. In the first quarter of FY 20-21, LTF revenue is on par with the prior fiscal year's initial quarter. Measure A receipts have actually increased from the prior year. An analysis of the FY 19-20 sales tax receipts for the final quarter concluded that the LTF received in those months was completely independent of actual receipts for that quarter. The reconciling of a quarter's distribution of sales tax revenue to actual receipts does not take place until the following quarter. However, these findings do not explain the strong results in the first quarter of FY 20-21, which is being investigated.

<u>Federal §5307 Funding</u> – In FY 19-20, the Section 5307 Urbanized Area Formula Program was funded at the full FAST Act appropriations levels. This included a continuation of the 33% increase in the percentage of the Section 5307 funding that is devoted to the STIC program begun in the prior year.[5] The STIC increase added approximately $400,000 to the District's apportionment. FY 19-20 was the final year of the FAST Act. It is currently unknown what Congress and the Administration will appropriate for the Section 5307 Program for FY 20-21.

The risk of a material reduction in federal operating assistance based on the 2020 census results remains on the horizon. The primary determinant of the District's annual Section 5307 funding is the population and density of the Santa Barbara UZA. The decennial census is expected to show a Santa Barbara UZA population exceeding 200,000. If so, the UZA would transition from a small urbanized area to a large urbanized area. Projections indicate the potential loss of up to $1.9 million annually if this occurs. This projection could change if a new Federal transportation bill with different apportionment rules becomes law.

<u>STA Funding</u> – STA funds allocated to the District each year are held by the Santa Barbara County Auditor-Controller. The District receives the funds as reimbursement for actual project expenditures. As a result, the unspent balance is not included in the District's financial statements. The STA allocation in FY 19-20[6] was $2.7 million while $4 million was spent for capital projects during the period bringing the STA balance held by the County down to $8.9 million. The District's near-term capital project budget includes full use of this balance. The FY 19-20 STA allocation was the first that included a full year with Senate Bill 1 in effect.[7] The $2.7 million compares to $2 million in FY 18-19—when Senate Bill 1 was in effect for seven months—and $1.2 million in FY 17-18. The increase will assist in replacing funds from the now defunct State Proposition 1B programs that the District relied upon for a considerable share of its capital costs for more than a decade.

<u>Calle Real Development</u> – Progress towards the residential development of the District's Calle Real property was delayed as the board of directors rejected all proposals and instructed staff to initiate a new solicitation, which is currently underway. The District property includes 19 acres of real estate north of Calle Real between Highway 154 and Turnpike Road. The goal of the project is to provide a reliable long term income stream to supplement District operating revenue.

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[5] The Small Transit-Intensive Cities (STIC) program distributes a portion of 5307 funds to transit agencies meeting specific criteria measuring efficiency and service density. MTD has always qualified for the maximum STIC allocation.

[6] The FY 19-20 STA allocation represents sales tax receipts from the previous fiscal year.

[7] 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.

Collective Bargaining Agreement – District drivers, driver supervisors, mechanics, and service workers are represented by the International Brotherhood of Teamsters Local 186. The current collective bargaining agreements cover the three-year period from July 2019 to June 2022 (FY 19-20 through FY 21-22). The agreements include annual wage increases ranging between 2.3% and 2.5% and health benefit growth of 3% to 5%.

CARB ICT & ZEB Goal – In 2018, the California Air Resources Board adopted the Innovative Clean Transit (ICT) regulation requiring complete transition to zero emission bus (ZEB) fleets by 2040. Starting in 2026, 25% of annual bus purchases must include ZEBs. This increases to 100% in 2029. To accelerate the elimination of District greenhouse gas emissions, in 2019 the Board adopted a goal to attain a carbon-free fleet by 2030.

While challenging, the District is making headway toward accomplishing the goal. The District is in the process of accepting an SCE Charge Ready Heavy-Duty program grant that will result in 14 charge ports being installed at Terminal 1. At the completion of the project, the facility will have a total of 29 charge ports available to support the transition to zero emission buses. Furthermore, with four 40' battery electric buses on order, the District's rolling stock of full battery electric buses will increase to 18.

Via an SCE Charge Ready Light-Duty program grant, the District has successfully installed 14 chargers to support its relief vehicle fleet. Subsequently, 10 Chevy Bolts were purchased and are currently in use. The prices of ZEBs are considerably more than diesel buses. Between the ICT program and state incentives, continuing ZEB and battery innovation coupled with increased production capacity are expected to eliminate barriers to meeting zero-emission goals and mandates.

Facilities Master Plan – The Facilities Master Plan to help guide future decision making on transit facility needs was completed this year. The impetus for the plan is that the District's operations, maintenance, and administrative facility in Santa Barbara is at capacity and expansion options are limited due to the relatively small footprint of the property. The plan includes different options and associated costs for the remodeling of existing facilities and the development of satellite locations taking into account the needed infrastructure for ZEBs. The District recently engaged an architect to begin design work for upgrades to the Goleta Overpass Road facility (Terminal 2).

BYD EV Acquisition – The District is close to final acceptance of the 14 30' BYD electric buses as defects and outstanding deliverables are nearly resolved. The acquisition includes the outright purchase of eight of the buses and the leasing of the remaining six. The annual lease payments are $340,000. The lease contains a buyout option, which becomes active in January 2021. Further information on the lease is included in the footnotes to the financial statements.

New Flyer Acquisition – Award of a contract to New Flyer of America for four 40' battery electric buses occurred early in FY 20-21. The cost for the buses is $4.8 million, which includes intelligent transportation systems, electronic fareboxes, and other accessories. The capital acquisition will be largely funded with previously approved federal and state discretionary grant awards. HVIP credits are also expected to defray the cost. According to New Flyer, the buses are slated for delivery in fall 2021.

Microgrid – The District is pursuing a California Energy Commission (CEC) grant that will provide funding for the creation of a plan to develop a microgrid at the District's Terminal 1 facility in Santa Barbara. The Microgrid would include solar arrays, batteries for energy storage, and a power management system. The purpose of the microgrid is to ensure that the District's electric bus charging infrastructure is resilient against utility power disruptions. It also has the benefit of lowering energy costs, which will become the primary source of fleet fuel in the next decade. If selected for award, the CEC grant will cover the cost of the microgrid development plan. Additional funding would be sought for implementation of the plan.

FINANCIAL STATEMENTS

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and investments	$ 12,444,883	$ 10,301,383
Grants receivable	6,647,757	7,264,042
Other receivable	85,829	219,240
Materials and supplies inventories	781,354	867,288
Other current assets	292,272	219,772
Total Current Assets	20,252,095	18,871,725
NONCURRENT ASSETS:		
Cash restricted for capital support	1,152,290	1,387,888
Capital assets:		
Tangible transit operating property	79,611,926	75,048,188
Right-of-use asset	2,174,252	-
Less: Accumulated depreciation/amortization	(41,522,015)	(39,699,485)
Capital Assets, net	40,264,163	35,348,703
Total Non-Current Assets	41,416,453	36,736,591
Total Assets	61,668,548	55,608,316
DEFERRED OUTFLOWS OF RESOURCES:		
Related to other post-employment benefits (OPEB)	60,006	-
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 61,728,554	$ 55,608,316
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 775,278	$ 512,191
Accrued payroll including compensated absences	1,094,074	1,050,114
Accrued expenses	1,631,419	954,607
Capital lease	237,686	-
Total Current Liabilities	3,738,457	2,516,912
NON-CURRENT LIABILITIES		
Compensated absences payable	729,023	761,234
Advances on grants	1,152,290	1,387,888
Accrued damage, injury, and employee claims	3,843,420	3,388,885
Net OPEB liability	1,090,192	1,120,672
Capital lease	1,623,201	-
Total Non-Current Liabilities	8,438,126	6,658,679
Total Liabilities	12,176,583	9,175,591
DEFERRED INFLOWS OF RESOURCES:		
Related to other post-employment benefits (OPEB)	64,675	-
NET POSITION		
Net investment in capital assets	38,403,276	35,348,703
Unrestricted	11,084,020	11,084,022
TOTAL NET POSITION	49,487,296	46,432,725
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 61,728,554	$ 55,608,316

The notes to the financial statements are an integral part of these financial statements.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES		
Passenger fares	$ 5,275,643	$ 7,167,098
OPERATING EXPENSES		
Route operations	16,675,796	15,835,457
Vehicle maintenance	5,760,955	5,937,146
Passenge accomodations	1,500,906	1,487,301
General overhead	3,373,009	3,045,579
Postemployment health care benefits	(25,811)	154,169
Total before Depreciation and Amortization	27,284,855	26,459,652
Depreciation and Amortization	4,132,436	3,975,403
Total Operating Expenses	31,417,291	30,435,055
OPERATING LOSS	(26,141,648)	(23,267,957)
NONOPERATING REVENUES		
Non-transportation revenue, including interest, advertising, rent, and miscellaneous	1,495,127	888,543
Taxes levied by Santa Barbara County for the District	1,385,447	1,295,656
Transportation Development Act funding and allocations	12,046,873	9,323,746
Federal grants	8,947,823	10,546,704
Proposition 1B (Prop 1B) grants	744,345	427,265
Measure A grants	3,184,601	3,184,925
Miscellaneous grants	1,706,813	1,413,088
Loss of disposal of assets	(314,810)	(77,229)
Total Nonoperating Revenues	29,196,219	27,002,698
CHANGE IN NET POSITION	3,054,571	3,734,741
Beginning of year	46,432,725	42,697,984
END OF YEAR NET POSITION	$ 49,487,296	$ 46,432,725

The notes to the financial statements are an integral part of these financial statements.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
STATEMENTS OF EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
LABOR		
Operators' wages	$ 7,522,689	$ 7,756,622
Other salaries and wages	4,575,474	4,490,660
Total Labor	12,098,163	12,247,282
FRINGE BENEFITS		
Payroll taxes	1,066,398	1,072,029
Retirement plans	1,391,487	1,399,057
Health and welfare	3,012,623	3,098,937
Workers compensation	1,461,965	849,213
Sick pay	243,267	207,705
Holiday pay	407,072	404,346
Vacation pay	795,166	791,151
Other paid absences	116,906	94,538
Uniform and tool allowances	57,215	57,218
Total Fringe Benefits	8,552,099	7,974,194
SERVICES		
Professional and technical including directors' fees	364,717	423,858
Outside services	79,317	178,412
Contract maintenance services	630,262	449,975
Promotion and printing	162,696	182,359
Total Services	1,236,992	1,234,604
MATERIALS AND SUPPLIES		
Fuels and lubricants	1,940,131	1,813,046
Tires and tubes	163,387	167,105
Bus parts	638,029	630,333
Other materials and supplies	373,877	493,064
Electric bus power	52,416	114,797
Total Material and Supplies	3,167,840	3,218,345
UTILITIES AND TELEPHONE	251,434	246,199
CASUALTY AND LIABILITY COSTS	609,729	263,113
PURCHASED TRANSPORTATION	971,634	991,962
MISCELLANEOUS		
Dues and subscriptions	55,232	50,335
Travel, meetings, and training	42,140	30,545
Purchased media	11,949	12,648
Other miscellaneous expenses	287,643	190,425
Total Miscellaneous	396,964	283,953
Total Expenses before Depreciation and Amortization	27,284,855	26,459,652
DEPRECIATION AND AMORTIZATION	4,132,436	3,975,403
TOTAL EXPENSES	$ 31,417,291	$ 30,435,055

The notes to the financial statements are an integral part of these financial statements.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATIONS		
Receipts from transit customers	$ 5,409,054	$ 7,362,227
Payments to suppliers and vendors	(5,656,507)	(5,939,101)
Payments to employees/benefits	(20,234,542)	(20,326,723)
NET CASH USED BY OPERATING ACTIVITIES	(20,481,995)	(18,903,597)
CASH FLOWS FROM NONCAPITAL FINANCING ACTITIVIES		
Operating grants received	19,722,957	16,320,942
Non-transportation revenue, including advertising, rental, and miscellaneous	1,273,497	656,069
Taxes levied by Santa Barbara County	1,385,447	1,295,657
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	22,381,901	18,272,668
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(7,523,781)	(8,043,967)
Proceeds from sale of assets	335,327	56,753
Payments Made on Capital Leases	(313,365)	-
State and local grant advances	(235,598)	427,265
Federal, state, and local capital grants received	7,523,783	7,634,673
NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(213,634)	74,724
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	221,630	232,473
NET CASH PROVIDED BY INVESTING ACTIVITIES	221,630	232,473
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	1,907,902	(323,732)
CASH AND EQUIVALENTS BEGINNING OF YEAR	11,689,271	12,013,003
END OF YEAR	$ 13,597,173	$ 11,689,271
Cash and investments	$ 12,444,883	$ 10,301,383
Cash restricted for capital support	1,152,290	1,387,888
TOTAL CASH AND EQUIVALENTS	$ 13,597,173	$ 11,689,271

The notes to the financial statements are an integral part of these financial statements.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
STATEMENTS OF CASH FLOWS (Continued)
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Reconciliation of operating loss or net cash used by operating activities		
Operating loss	$ (26,141,648)	$ (23,267,957)
Charges to cost of service not requiring current expenditure of cash:		
Depreciation and amortization	4,132,436	3,975,403
Changes in:		
Other receivable - excluding grants	133,411	195,129
Materials and supplies inventories	85,934	218,475
Other current assets	(72,500)	87,592
Accounts payable and accrued expenses net of capital acquisitions	964,652	(6,992)
Compensated absences payable	(13,004)	27,164
Accrued damage, injury, and employee claims	454,535	(286,580)
Other post-retirement benefit liabilities and related deferrals	(25,811)	154,169
NET CASH USED BY OPERATING ACTIVITIES	$ (20,481,995)	$ (18,903,597)

The notes to the financial statements are an integral part of these financial statements.

NOTE 1 – REPORTING ENTITY

The Santa Barbara Metropolitan Transit District (the 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.

The District is a special purpose governmental unit with no component units.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District are in conformity with accounting principles generally accepted in the United States of America applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the significant accounting policies:

Basic Financial Statements

The basic financial statements (i.e., the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; the Statements of Expenses; and the Statements of Cash Flows) report information on all of the enterprise activities of the District. These basic financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments,* and related standards; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus 2017*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The standards provide for significant changes in terminology; recognition of contributions in the Statements of Activities and Changes in Net Position; inclusion of a Management's Discussion and Analysis as supplementary information; and other changes.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statements of Net Position. The Statements of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The District distinguishes operating revenues and expenses result from non-operating items. Operating revenues and expenses generally result from providing transportation services. The principal operating revenues of the District are charges to passengers for transportation services (passenger fares). Operating expenses include the cost of providing service, including general and administrative expenses and depreciation/amortization of capital assets. All revenues and expenses not meeting this definition are reported as non-operating 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.

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.

Taxes

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.

Cash in Investments

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

All investments are stated at fair value, except for certain designated money market investments that have a remaining maturity of less than one year when purchased which are stated at amortized cost. Money market investments are short-term, highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and Agency obligations. Fair value is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. All investment income, including changes in fair value, is included in non-operating revenues.

Restricted Uses of Cash

As of June 30, 2020, the District had $745,361 of Low Carbon Transit Operations Program (LCTOP) cash restricted for Microtransit services. This District also had $406,929 of University of California of Santa Barbara (UCSB) cash restricted for future capital asset replacements or upgrades associated with Line 28 service.

As of June 30, 2019, the District had $744,304 of Prop 1B PTMISEA cash restricted for use in Transit Center projects and revenue vehicle acquisitions. LCTOP cash restricted was $332,284 for marketing expenses and revenue vehicle acquisitions. This District also had $311,300 of UCSB cash restricted for future capital asset replacements or upgrades associated with Line 28 service.

Inventories

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

Capital Assets

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

The District's policy is to capitalize all property and equipment with a cost greater than $500 and a useful life of more than one year.

Compensated Absences

The District accrues for vested vacation and sick pay when it is earned by employees. The amount of vested vacation pay accrued as of June 30, 2020 and 2019, was $906,659 and $881,120, respectively. The amount of vested sick pay accrued as of June 30, 2020 and 2019, was $377,254 and $415,797, respectively.

Other Postemployment Benefits (OPEB)

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 plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Accounting principles generally accepted in the United States of America require that the reported results must pertain to liability and asset information within certain defined timeframes.

Net Position

In the Statement of Net Position, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation/amortization and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Use of Estimates

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 certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants

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 in fiscal years 2020 and 2019 were $7,523,781 and $8,043,967, respectively.

New Accounting Pronouncements

During fiscal year ended June 30, 2020, the District implemented the following new GASB Pronouncements:

GASB Statement No. 87 – *Leases.* The requirements of this statement were originally effective for periods beginning after December 15, 2019. GASB Statement No. 95 delayed the effective date to June 15, 2021. Early implementation is encouraged. The District has implemented the provisions of GASB Statement No. 87 in the current year. See Note 6 for a detailed discussion on the effects of the District's financial statements as a result of the adoption of this standard.

GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The requirements of this standard are effective immediately. The objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by extending the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. There was no effect on the District's accounting and financial reporting as a result of implementing this standard.

Future Accounting Pronouncements

GASB Statement No. 84 – *Fiduciary Activities*. The implementation date for this statement is on hold per GASB Statement No. 95 above. The District will implement this statement when and where applicable.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period.* The implementation date for this statement is on hold per GASB Statement No. 95 above. The District will implement this statement when and where applicable.

GASB Statement No. 90 – *Majority Equity Interests – an amendment of GASB Statement No. 14 and No. 61.* The implementation date for this statement is on hold per GASB Statement No. 95 above. The District will implement this statement when and where applicable.

GASB Statement No. 91 – *Conduit Debt Obligations.* The implementation date for this statement is on hold per GASB Statement No. 95 above. The District will implement this statement when and where applicable.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Pronouncements (Continued)

GASB Statement No. 93 – *Replacement of Interbank Offered Rates.* The implementation date for this statement is on hold per GASB Statement No. 95 above. The District will implement this statement when and where applicable.

GASB Statement No. 94 – *Public-Private and Public-Private Partnership and Availability Payment Arrangements.* The requirements of this statement are effective for fiscal years beginning after June 15, 2020, and all reporting periods thereafter. Early application is encouraged. The District will implement GASB Statement No. 94 if and where applicable.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements.* The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District will implement GASB Statement No. 96 if and where applicable.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for IRC Section 457 Deferred Compensation Plans.* The requirements in paragraph 4 as it applies to defined contribution plans, defined contribution OPEB plans, and other employee benefit plans, and paragraph 5 are effective immediately. All other requirements are applicable for fiscal years beginning after June 15, 2021. The District will implement GASB Statement No. 97 if and where applicable.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2020 and 2019, are classified in the accompanying financial statements as follows:

	2020	2019
Statement of Net Position:		
Cash and investments	$ 12,444,883	$ 10,301,383
Cash and investments restricted for capital support	1,152,290	1,387,888
Total cash and investments	$ 13,597,173	$ 11,689,271

NOTE 3 – CASH AND INVESTMENTS (Continued)

Cash and investments as of June 30, 2020 and 2019, consist of the following:

	2020	2019
Cash on hand	$ 35,490	$ 39,865
Deposits with financial institutions	778,455	1,123,846
Investments	12,783,228	10,525,560
Total cash and investments	$ 13,597,173	$ 11,689,271

The District does not have a formal Investment Policy. The District is subject to state laws, codes and regulations regarding the investment of public funds.

Demand Deposits

As of June 30, 2020 and 2019, the carrying amounts of the demand deposits were $778,455 and $1,123,846, respectively, and the bank balances were $778,455 and $1,123,846, respectively, of which the total amount was collateralized for insurance 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.

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. Collateral is held by the pledging financial institution's trust department and is considered held in the District's name. The District may waive collateral requirements for deposits that are fully insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). The District has $250,000 that is covered by the FDIC as of June 30, 2020, and 2019. The remaining balances at June 30, 2020 and 2019, of $528,445 and $873,846, respectively, is collateralized as described above.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk (Continued)

Investment Type	Measurement Input	Fair Value 2020	Fair Value 2019
Certificates of Deposit	Level 1	$ 1,520,909	$ -
Money Market	N/A	5,416,974	1,862,519
Local Agency Investment Fund (LAIF)	N/A	5,845,345	8,663,041
Total investments		$ 12,783,228	$ 10,525,560

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government 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 custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another 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 or investments, 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.

Local Agency Investment Funds

The District is a voluntary participant in the California State Treasurer's LAIF. LAIF 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.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Local Agency Investment Funds (Continued)

The investments include the following:

- Structured Notes – debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options. They are issued by corporations and by government-sponsored enterprises.

- Asset-Backed Securities – entitle their purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs), 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 $5,845,345 and $8,663,041 invested in LAIF, at June 30, 2020 and 2019, respectively. They were invested in the pooled investment funds in structured notes and asset-backed securities at 3.37% and 1.77% at June 30, 2020 and 2019, respectively. The LAIF fair value factor of 1.004912795 and 1.001711790 at June 30, 2020 and 2019, 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.

Fair Value Measurements

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: Investments reflect prices quoted in active markets;

- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and,

- Level 3: Investments reflect prices based upon unobservable sources.

Investments in LAIF and money markets totaling $11,262,319 and $10,525,560 as of June 30, 2020 and 2019, respectively, are measured at a mix of fair value and amortized cost.

NOTE 4 – RECEIVABLES

Grants receivable at June 30, 2020 and 2019, are summarized as follows:

	2020	2019
Federal Transit Administration	$ 1,283,229	$ 5,256,241
State Transit Assistance	4,096,480	1,402,488
Other grants	1,268,048	605,313
	$ 6,647,757	$ 7,264,042
Other receivables are as follows:		
Trade receivables	$ 85,829	$ 219,240

NOTE 5 – CAPITAL ASSETS

Changes in transit operating property during the fiscal years ended June 30, 2020 and 2019, are as follows:

June 30, 2020	Beginning of Year	Additions	Reclassification	Disposals/ Adjustments	End of Year
Capital assets not depreciated					
Land	$ 5,596,296	$ -	$ -	$ -	$ 5,596,296
Work in progress	2,707,497	5,910,469	(3,057,783)	72,740	5,632,923
Total Capital Assets, Not Being Depreciated	8,303,793	5,910,469	(3,057,783)	72,740	11,229,219
Buildings	14,557,083	116,330	-	(368,110)	14,305,303
Buses	46,552,900	1,044,680	2,966,610	(2,554,392)	48,009,798
Right-of-use asset	-	2,174,252	-	-	2,174,252
Other equipment	5,634,412	452,302	91,173	(110,281)	6,067,606
Total Capital Assets, Being Depreciated	66,744,395	3,787,564	3,057,783	(3,032,783)	70,556,959
Less Accumulated Depreciation/Amortization	(39,699,485)	(4,132,436)	-	2,309,906	(41,522,015)
Total Capital Assets, Being Depreciated, Net	27,044,910	(344,872)	3,057,783	(722,877)	29,034,944
Total Capital Assets, Net	$ 35,348,703	$ 5,565,597	$ -	$ (650,137)	$ 40,264,163

NOTE 5 – CAPITAL ASSETS (Continued)

June 30, 2019	Beginning of Year	Additions	Reclassification	Disposals	End of Year
Capital assets not depreciated					
Land	$ 5,596,296	$ -	$ -	$ -	$ 5,596,296
Work in progress	1,315,808	1,566,947	(175,258)	-	2,707,497
Total Capital Assets, Not Being Depreciated	6,912,104	1,566,947	(175,258)	-	8,303,793
Buildings	14,511,789	57,366	750	(12,822)	14,557,083
Buses	46,911,549	6,325,407	142,922	(6,826,978)	46,552,900
Other equipment	5,571,279	94,247	19,986	(51,100)	5,634,412
Total Capital Assets, Being Depreciated	66,994,617	6,477,020	163,658	(6,890,900)	66,744,395
Less Accumulated Depreciation	(42,492,600)	(3,975,403)	-	6,768,518	(39,699,485)
Total Capital Assets, Being Depreciated, Net	24,502,017	2,501,617	163,658	(122,382)	27,044,910
Total Capital Assets, Net	$ 31,414,121	$ 4,068,564	$ (11,600)	$ (122,382)	$ 35,348,703

Depreciation and amortization expense for the fiscal years ended June 30, 2020 and 2019, was $4,132,436 and $3,975,403, respectively.

NOTE 6 – LONG-TERM DEBT

The following is a summary of the long-term debt activity for the fiscal years ended June 30, 2020 and 2019:

Type of Debt	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Amounts Due Within One Year
Capital Lease	$ -	$ 2,174,252	$ (313,365)	$ 1,860,887	$ 237,686
Compensated Absences Payable	1,296,917	666,193	(679,197)	1,283,913	554,890
Total	$ 1,296,917	$ 2,840,445	$ (992,562)	$ 3,144,800	$ 792,576

Type of Debt	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Amounts Due Within One Year
Capital Lease	$ -	$ -	$ -	$ -	$ -
Compensated Absences Payable	1,296,917	705,610	(705,610)	1,296,917	535,683
Total	$ 1,296,917	$ 705,610	$ (705,610)	$ 1,296,917	$ 535,683

NOTE 6 – LONG-TERM DEBT (Continued)

The District entered into a capital lease with BYD Motors LLC for six K7 30-foot BYD battery-electric buses for the provision of public transit service. The stated lease term is 96 months from January 1, 2019, through December 31, 2026. The term for two of the six buses was delayed until April 1, 2019, when the vehicles were available for revenue service. Total monthly lease payments are $28,573 before application of sales tax. The initial lease liability was $2,174,250 based upon a value of $362,375 per bus and a 6% interest rate. The portion due within 12 months as of June 30, 2020 is $237,686, which is recorded as a short-term liability. The minimum lease term is 24 months and includes a buy-out option for $362,375 per bus reduced by all lease payments made up to the time of exercise, including interest paid. The District maintains the express right to terminate the lease subject to an early termination fee of three times the monthly lease payment. Due to delays in bringing the buses into compliance with the contract specifications, lease payments were delayed until May 2020 and made retroactively to January 2019, a date mutually agreed to between the parties based upon various in-service dates.

The annual requirements to amortize the lease payable outstanding, including interest are as follows:

Year Ending June 30,	Principal	Interest
2021	$ 237,686	$ 105,188
2022	252,346	90,528
2023	267,910	74,964
2024	284,434	58,440
2025	301,977	40,896
2026-2030	516,534	26,349
	$ 1,860,887	$ 396,365

At June 30, 2020, the cost of the asset under the capital lease was $2,174,252, and the related accumulated depreciation and amortization was $124,506.

NOTE 7 – NET POSITION

The majority of unrestricted net position represents excess Transportation Development Act (TDA) revenue received. Pursuant to Section 6634 of the California Administrative Code - TDA, a transit claimant is precluded from receiving monies from the Local Transportation Fund and State Transit Assistance Fund in an amount which exceeds 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

NOTE 7 – NET POSITION (Continued)

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.

Capital Contributions

The District receives grants from the FTA, State, and Local Transportation Fund 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 fiscal years ended June 30 were as follows:

	2020	2019
Federal grants	$ 1,414,910	$ 5,290,463
State grants (Prop 1B)	744,345	427,265
Sales tax	4,940,699	2,323,637
Miscellaneous grants	423,827	2,602
Net grants received	$ 7,523,781	$ 8,043,967

NOTE 8 – TDA FUNDING AND ALLOCATIONS

In previous years, the allocation of TDA funds to the District was subject to the provisions of Section 99268.2 of the Public Utilities Code, which included the maintenance of a ratio of fare revenues to operating costs (farebox ratio) of at least 20%. This requirement has been suspended due to the effects of the COVID-19 health pandemic. During the fiscal years ended June 30, 2020 and 2019, the District's farebox ratios were 19.3% and 27.1%, respectively.

NOTE 8 – TDA FUNDING AND ALLOCATIONS (Continued)

TDA funding and allocations for the fiscal years ended June 30:

	2020	2019
Funding		
Local Transportation Fund (SB 325)	$ 8,074,222	$ 7,921,258
State Transit Assistance Fund (SB 620)	3,972,651	1,402,488
	$ 12,046,873	$ 9,323,746
Usage		
Operations	$ 8,074,222	$ 7,921,258
Capital projects	3,972,651	1,402,488
	$ 12,046,873	$ 9,323,746

NOTE 9 – FEDERAL GRANTS AND REIMBURSEMENTS

Federal grants and reimbursements for the year ended June 30:

	2020	2019
FTA		
Operating grants	$ 7,532,913	$ 5,256,241
Capital grants	1,414,910	5,290,463
Total	$ 8,947,823	$ 10,546,704

NOTE 10 – 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 at June 30, 2020 and 2019, were $906,659 and $881,120, respectively. The current portion is expected to be used within one year. Accrued sick pay vested at June 30, 2020 and 2019, was $377,254 and $415,797, respectively.

NOTE 11 – RETIREMENT PLANS

Two employee groups are covered, with expenses as follows:

Employee Group	Plan Names	2020	2019
Union	Teamsters Union	$ 1,100,547	$ 1,146,193
Non-Union Deferral Plan	Profit-Sharing and Salary	260,940	252,864
Total		$ 1,361,487	$ 1,399,057

Teamsters Pension Plan

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

	2020	2019
Required work hour contribution (up to 173.33 hours per month)	$ 3.47	$ 3.42
Total pension hours	316,546	334,885
Accrued pension	$ 85,934	$ 96,486

Western Conference of Teamsters Pension Trust (the Plan) administers the cost-sharing pension plan for those District employees covered by the collective bargaining agreement. As noted above, this is a defined benefit pension 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 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" in 2020, 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 Plan, the employer's withdrawal liability is based on the employer's share of the unfunded vested benefits of the multiemployer Plan.

The period of coverage for the existing collective bargaining agreement between the District and Teamsters Union-Local 186 is July 1, 2019, through June 30, 2022. In 2020 there were 160 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 2020 and 2019, the employer's required contribution were approximately $1.1 million and $1.1 million, respectively. Based on the agreement, there are no minimum contributions required for future periods. For fiscal years 2020 and 2019, the pension payables were $85,934 and $92,200, respectively, since the payments for June 2020 and 2019 occurred after the fiscal year end.

Profit Sharing and Salary Deferral Plan

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

NOTE 11 – RETIREMENT PLANS (Continued)

Profit Sharing and Salary Deferral Plan (Continued)

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 2020 were based upon a payroll of $2,609,403 for non-union employees. The District contributed $260,940 (10% of covered payroll) and covered employees contributed $311,752.

The District's contributions for fiscal year 2019 were based upon a payroll of $2,528,644 for non-union employees. The District contributed $252,864 (10% of covered payroll) and covered employees contributed $292,096.

NOTE 12 – RISK MANAGEMENT

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

The District retains commercial auto and general liability insurance through a Self-Insured Retention Excess Indemnity policy with additional Excess Umbrella coverage. With the renewal of the policy period beginning April 1, 2020, total coverage per any one claim is $15 million, inclusive of the self-insured retention of $250,000. Prior to April 1, 2020, coverage was a total of $10 million on any one claim, including self-insured amounts per claim as follows:

April 1, 2002 to March 31, 2021	$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. Effective with the renewal policy period beginning July 1, 2020, the self-insurance retention was lowered to $250,000 with the same $5 million coverage limit.

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

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

NOTE 12 – RISK MANAGEMENT (Continued)

An analysis of claims activities for general liability and workers' compensation liability is presented below:

	2020	2019
Claims liability - beginning of year	$ 4,228,582	$ 4,588,249
Claims and changes in estimates	1,260,092	284,367
Actual claim payments	(733,825)	(644,034)
Claims liability - end of year	$ 4,754,849	$ 4,228,582

NOTE 13 – COMMITMENTS

Paratransit Service – Easy Lift

For fiscal years 2020 and 2019, the District agreed to provide Easy Lift a subsidy of $971,634 and $991,962, respectively, for paratransit services. Fiscal year 2019 was also inclusive of the purchase of a paratransit van. 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 Americans with Disabilities Act of 1990 (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 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 May 2019. The District, by written notice, may terminate this contract, in whole or in part, when it is in its best interest.

NOTE 14 – CONTINGENCIES

Federal Grant Contracts

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

NOTE 15 – OPEB

Plan Description

The District provides 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. The OPEB Plan is restricted to represented employees hired before March 1, 2014, and for non-represented employees hired before July 1, 2018.

Employees Covered

Based on the OPEB actuarial valuations with measurement dates of June 30, 2019 and June 30, 2018, the following current and former employees were covered by the benefit terms for the OPEB Plan:

	2020	2019
Active employees	145	159
Inactive employees of beneficiaries currently receiving benefits	25	24
Inactive employees entitled to, but not yet receiving benefits	-	-
Total	170	183

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District Board. These contributions are neither mandated nor guaranteed. The District has retained the right to unilaterally modify its payment for retiree health care benefits. Refer to the table above for the contribution requirements. For the fiscal years ended June 30, 2020 and 2019, the District contributed $0. Employees are not required to contribute to the OPEB Plan.

Funding Policy and Annual OPEB Cost

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 agent multi-employer trust fund established by Chapter 331 of the California Statutes of 1988 dedicated to prefunding OPEB for all eligible California public agencies and is administered 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

NOTE 15 – OPEB (Continued)

Funding Policy and Annual OPEB Cost (Continued)

established. Current policy does not obligate the District to further fund its OPEB obligation. In fiscal year 2019, the District began drawing funds from the OPEB trust to cover the cost of current year retiree health benefit payouts. Prior to that, the District funded the OPEB Plan on a pay-as-you-go basis.

The District's annual OPEB cost (expense) for the OPEB Plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 75 beginning in fiscal year 2018. The ARC represents the normal cost and amortization of unfunded actuarial liabilities over 30 years.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2019 and 2018, and the total OPEB liability used to calculate the net OPEB liability was the Plan Fiduciary Net Position of the OPEB trust held with CalPERS. The following actuarial methods and assumptions were used:

Valuation Date	July 1, 2019	July 1, 2018
Measurement Date	June 30, 2019	June 30, 2018
Actuarial Assumptions:		
Discount rate	7.00%	6.70%
Inflation	3.00%	3.00%
Salary increase	3.00%	3.00%
Investment rate of return	7.00%	6.70%
Healthcare cost trend rates		
Medicare Advantage	22.15% for 2019 and decreasing ratably to 4.5% for 2029 and later years	16% for 2018 and decreasing ratably to 4.5% for 2026 and later years
Medicare Supplement	5.5% for 2019, decreasing ratably to 4.5% for 2029 and later years	5.7% for 2018, decreasing ratably to 4.5% for 2026 and later years
Dental	4.5% for 2019, static through 2029 and later years	4.5% for 2018, static through 2026 and later years

NOTE 15 – OPEB (Continued)

Net OPEB Liability (Continued)

The mortality table was updated from base rates developed in the 1997-2011 CalPERS Study for Miscellaneous employees with projected improvement based on scale MP-2016 to the Pub-2010 headcount weighted tables for general employees with projected improvement based on scale MP-2018.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period of July 1, 2018 – June 30, 2019.

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:

2020

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40%	Unavailable
Fixed Income	43%	Unavailable
Treasury Inflation-Protected Securities	8%	Unavailable
Real Estate Investment Trusts	5%	Unavailable
Commodities	4%	Unavailable
Total	100%	

NOTE 15 – OPEB (Continued)

Net OPEB Liability (Continued)

2019

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40%	Unavailable
Fixed Income	43%	Unavailable
Treasury Inflation-Protected Securities	8%	Unavailable
Real Estate Investment Trusts	5%	Unavailable
Commodities	4%	Unavailable
Total	100%	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00% and 6.70% as of June 30, 2020 and 2019, respectively. The rate is based on long-term expected rate of return for CERBT Strategy 2 determined by CalPERS.

NOTE 15 – OPEB (Continued)

Changes in the Net OPEB Liability

The changes in the net OPEB liability for the fiscal years ended June 30, 2020 and 2019, are as follows:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2019	$ 2,676,665	$ 1,555,993	$ 1,120,672
Changes Recognized for the Fiscal Year:			
Service Cost	46,605	-	46,605
Interest on the Total OPEB Liability	180,233	-	180,233
Change of Benefit Terms	(147,814)	-	(147,814)
Differences Between Expected and Actual Experience	(67,492)	-	(67,492)
Change of Assumptions	63,172	-	63,172
Benefit Payments	(67,552)	(67,552)	-
Contributions from the Employer	-	-	-
Contributions from the Employee	-	-	-
Net Investment Income	-	105,941	(105,941)
Administrative Expense	-	(757)	757
Net Changes	7,152	37,632	(30,480)
Balance at June 30, 2020 (Based on June 30, 2019 Measurement Date)	$ 2,683,817	$ 1,593,625	$ 1,090,192

NOTE 15 – OPEB (Continued)

Changes in the Net OPEB Liability (Continued)

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2018	$ 2,526,892	$ 994,744	$ 1,532,148
Changes Recognized for the Fiscal Year:			
Service Cost	45,248	-	45,248
Interest on the Total OPEB Liability	170,170	-	170,170
Change of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	-	-	-
Change of Assumptions	-	-	-
Benefit Payments	(65,645)	(65,645)	-
Contributions from the Employer	-	565,645	(565,645)
Contributions from the Employee	-	-	-
Net Investment Income	-	61,784	(61,784)
Administrative Expense	-	(535)	535
Net Changes	149,773	561,249	(411,476)
Balance at June 30, 2019 (Based on June 30, 2018 Measurement Date)	$ 2,676,665	$ 1,555,993	$ 1,120,672

NOTE 15 – OPEB (Continued)

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 years ending June 30, 2020 and 2019.

2020

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Total OPEB Liability	$ 3,037,086	$ 2,683,817	$ 2,388,409
Plan Fiduciary Net Position	1,593,625	1,593,625	1,593,625
Net OPEB Liability	$ 1,443,461	$ 1,090,192	$ 794,784

2019

	1% Decrease (5.70%)	Current Rate (6.70%)	1% Increase (7.70%)
Total OPEB Liability	$ 3,041,979	$ 2,676,665	$ 2,373,846
Plan Fiduciary Net Position	1,555,993	1,555,993	1,555,993
Net OPEB Liability	$ 1,485,986	$ 1,120,672	$ 817,853

NOTE 15 – OPEB (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 periods ended June 30, 2020 and 2019.

2020

	1% Decrease	Trend Rate	1% Increase
Total OPEB Liability	$ 2,351,250	$ 2,683,817	$ 3,090,607
Plan Fiduciary Net Position	1,593,625	1,593,625	1,593,625
Net OPEB Liability	$ 757,625	$ 1,090,192	$ 1,496,982

2019

	1% Decrease	Trend Rate	1% Increase
Total OPEB Liability	$ 2,314,458	$ 2,676,665	$ 3,125,039
Plan Fiduciary Net Position	1,555,993	1,555,993	1,555,993
Net OPEB Liability	$ 758,465	$ 1,120,672	$ 1,569,046

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

NOTE 15 – OPEB (Continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the fiscal years ended June 30, 2020 and 2019, the District recognized OPEB expense of $(22,024) and $147,579, respectively. For the fiscal years ended June 30, 2020 and 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

2020	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	$ -	$ -
Differences between Actual and Expected Experience	-	64,675
Changes in Assumptions	55,616	-
Net Differences between Projected and Actual Earnings on Plan Investments	4,390	-
Total	$ 60,006	$ 64,675

2019	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	$ -	$ -
Differences between Actual and Expected Experience	-	-
Changes in Assumptions	-	-
Net Differences between Projected and Actual Earnings on Plan Investments	-	-
Total	$ -	$ -

NOTE 16 – ADVANCES ON GRANTS

	Prop1B OHS Capital	Prop 1B PTMISEA Capital	UCSB Capital	LCTOP Capital	Total Capital	LCTOP Operating	Total Operating	Total Operating & Capital
Assistance:								
Excess Operating Funds at June 30, 2018	$ 233,324	$ 858,044	$ 207,815	$ -	$ 1,299,183	$ 120,735	$ 120,735	$ 1,419,918
FY19 Allocations received	-	80,090	103,485	252,590	436,165	-	-	436,165
FY19 Interest earned	21	89	-	25	135	11	11	146
Funds available	233,345	938,223	311,300	252,615	1,735,483	120,746	120,746	1,856,229
Less: FY19 Eligible costs	(233,345)	(193,920)	-	-	(427,265)	(41,076)	(41,076)	(468,341)
Excess Operating Funds at June 30, 2019	-	744,303	311,300	252,615	1,308,218	79,670	79,670	1,387,888
FY20 Allocations received	-	-	95,629	-	95,629	492,678	492,678	588,307
FY20 Interest earned	-	41	-	24	65	51	51	116
Funds available	-	744,344	406,929	252,639	1,403,912	572,399	572,399	1,976,311
Less: FY20 Eligible costs	-	(744,344)	-	-	(744,344)	(79,677)	(79,677)	(824,021)
Excess Operating Funds at June 30, 2020	$ -	$ -	$ 406,929	$ 252,639	$ 659,568	$ 492,722	$ 492,722	$ 1,152,290

NOTE 17 – SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. In response, the County, followed by the Governor of California, issued a Shelter at Home order effective March 19, 2020, requiring certain non-essential businesses to temporarily close to the public. At the current time, management is unable to quantify the potential effects of this pandemic on its future financial statements

Subsequent events have been evaluated through November 11, 2020, the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET OTHER POSTEMPLOYMENT
BENEFITS (OPEB) LIABILITY AND RELATED RATIOS

	2020	2019	2018
Total OPEB Liability			
Service Cost	$ 46,605	$ 45,248	$ 43,930
Interest Cost	180,233	170,170	161,053
Changes in Benefits Terms	(147,814)	-	-
Differences Between Expected and Actual Experiences	-	-	(7,884)
Actual Experience	(67,492)	-	-
Changes of Assumptions	63,172	-	-
Benefit Payments	(67,552)	(65,645)	(59,133)
Net Change in Total OPEB Liability	7,152	149,773	137,966
Total OPEB Liability - Beginning	2,676,665	2,526,892	2,388,926
Total OPEB Liability - Ending	$ 2,683,817	$ 2,676,665	$ 2,526,892
Plan Fiduciary Net Position			
Contributions - Employer	$ -	$ 565,645	$ 1,059,133
Net Investment Income	105,941	61,784	(5,256)
Benefit Payments	(67,552)	(65,645)	(59,133)
Administrative Expenses	(757)	(535)	-
Net Change in Plan Fiduciary Net Position	37,632	561,249	994,744
Plan Fiduciary Net Position - Beginning	1,555,993	994,744	-
Plan Fiduciary Net Position - Ending	$ 1,593,625	$ 1,555,993	$ 994,744
Net OPEB Liaibilty - Ending	$ 1,090,192	$ 1,120,672	$ 1,532,148
Net Position as a Percentage of OPEB Liability	59.38%	58.13%	39.37%
Covered Payroll	$ 9,970,053	$ 10,346,378	$ 13,100,000
Net OPEB Liability as a Percentage of Payroll	10.93%	10.83%	11.70%

Notes to Schedule:

Changes in assumptions - The discount rate increased 6.70% to 7.00% for the measurement period ended June 30, 2019 and 2020, respectively.

Historical information is required only for measurement periods for which GASB Statement No. 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, 2020

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

JUNE 30, 2020

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE BASIC 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 the Santa Barbara Metropolitan Transit District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 11, 2020.

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 District'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2020-FS01, that we consider to be a material weakness.

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*.

The District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District'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 District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 11, 2020

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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, 2020.

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 TDA were expended in conformance with those sections of the TDA 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; 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 counties with populations of less than 5,000,

d) Determine whether the funds received by the claimant pursuant to the TDA 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 TDA were expended only for those purposes for which the funds were allocated in accordance with Public Utilities Code Sections 99234.1, 99301, 99301.5, and 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 the claimant was eligible to receive under the TDA 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, and 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, 2020.

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).

As of June 30, 2020, all PTMISEA funds received and expended were verified in the course of our audit as follows:

		PTMISEA
Unexpended proceeds July 1, 2019	$	744,303
For the year ended June 30, 2020:		
Proceeds received		-
Interest earned		41
Expenditures		(744,344)
Unexpended proceeds - June 30, 2020	$	-

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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 11, 2020

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BROWN ARMSTRONG
Certified Public Accountants

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 U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. 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, 2020.

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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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 11, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 11, 2020

FINANCIAL STATEMENTS

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Transportation/ Federal Transit Administration				
Federal Transit Cluster				
Direct:				
Operating Grants:				
	20.507	CA-2019-037-01	$ -	$ 400,000
	20.507	CA-90-Y035-02	-	48,989
	20.507	CA-2020-045-00	-	5,800,695
	20.507	CARES CA-2020-100-00	-	1,283,229
Capital Grants:				
	20.526	CA-2017-001-01	-	1,246,910
Indirect:				
Passed through California Department of Transportation				
Capital	20.526	64GC19-00908	-	168,000
Total Federal Transit Cluster			-	8,947,823
Total Federal Transit Administration			-	8,947,823
Total Expenditures of Federal Awards			$ -	$ 8,947,823

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all Federal award programs of the Santa Barbara Metropolitan Transit District (the District). All Federal awards received directly from Federal agencies as well as Federal awards passed through from other government agencies are included on the Schedule.

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.

NOTE 3 – INDIRECT COST RATE

The District has not elected to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

NOTE 4 – RELATIONSHIP TO FINANCIAL STATEMENTS

Federal award monies are reported in the District's financial statements as revenues from Federal grants.

FINDINGS AND QUESTIONED COSTS SECTION

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
- Material weakness identified? __X__ Yes ____ No
- Significant deficiencies identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major federal programs:
- Material weakness identified? ____ Yes __X__ No
- Significant deficiencies identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

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 the Uniform Guidance? ____ Yes __X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Clusters
	Federal Transit Cluster
20.500	Capital Investment Grants
20.526	Bus and Bus Facilities Formula Program

Dollar threshold used to distinguish Type A and B programs: $750,000

Auditee qualified as low risk auditee? __X__ Yes ____ No

II. Findings Relating to Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding 2020-FS01 – Inventory Observation

Condition:

We did not observe the taking of the physical inventory as of June 30, 2020, since the District elected not to perform for the fiscal year ended June 30, 2020. We were unable to satisfy ourselves regarding inventory quantities and adjustments by means of other auditing procedures. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Criteria:

According to AU-C Section 501.11, it is generally necessary for auditors to observe inventory counts. Immateriality of inventory balances is the only reason not to observe inventory.

Cause of Condition:

Due to safety concerns during the COVID-19 pandemic, the District elected not to perform an inventory count.

Potential Effect of Condition:

We are unable to verify the inventory quantities and adjustments. We are unable to determine whether any adjustments to these amounts were necessary.

Recommendation:

We recommend the District follow its policies and procedures for performing an inventory count.

Views of Responsible Officials and Planned Corrective Actions:

The District did not conduct the annual bus parts inventory this fiscal year due to health and safety concerns related to the COVID-19 pandemic. Social distancing protocols and work area occupancy requirements per Santa Barbara County Health Officer Orders 2020-08 and 2020-10 would have been extremely difficult to maintain. Even with the use of personal protective equipment, the duration of “close contact” needed to conduct the inventory presented concerns of greater risk for exposure to COVID-19. Additionally, District staff would have been in confined and enclosed spaces with other District staff and employees of the inventory contractor that would not provide ventilation at the levels recommended by the CDC to minimize exposure risks. The District will be carrying out partial inventories that comply with County and CDC recommendations during the 2020-21 fiscal year. When conditions allow, the year-end bus parts inventories will resume.

III. Federal Award Findings and Questioned Costs

None.

IV. State Award Findings and Questioned Costs

None.

V. Summary of Prior Audit (June 30, 2019) Findings and Current Year Status

Finding 2019-FS01 – Unearned Revenues and Net Position

Condition:

During our audit, we noted the District’s unexpended grant funds were recorded as restricted net position as opposed to unearned revenues. The amount of unexpended grant funds was improperly recognized as grant revenue, rather than unearned revenues (liabilities). This resulted in a prior period adjustment for the fiscal year 2017/18 for $1,072,509 and reclassifications of current year revenues to unearned liabilities.

Criteria:

Internal control activities are the actions established through policies and procedures that help ensure accounting objectives are carried out, including the proper classification of assets, liabilities, net position, revenues, and expenses.

The District’s financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned. Grant funds are generally earned during the period of expenditure for which the grant is intended.

Cause of Condition:

Grant funds are generally received in advance of the related expenditure, and are not earned until the period the funds are expended. The District recognized revenue for grant funds in the fiscal years received rather than the years they were expended.

Potential Effect of Condition:

Misstatement of unearned revenue liabilities and net position.

Recommendation:

The District has identified the error in accounting treatment related to unexpended grant funds and made appropriate corrections to the financial statements. We recommend the District implement a policy and internal control activities, i.e., procedures to continue to track the receipt and expenditure of grant funds, and classify unexpended funds as liabilities as opposed to restricted net position.

Views of Responsible Officials and Planned Corrective Actions:

The District will implement a policy and internal control activity to ensure that, where appropriate, grant funds received in advance by the District are recorded as a liability and recognized as revenue when associated grant expenditures have been incurred. Furthermore, the District will review government accounting standards to determine the conditions, if any, in which advance grant revenues are immediately recognized as revenue and recorded as restricted net position until associated grant expenditures have been incurred, as has been the District’s past practice.

Current Year Status:

Resolved.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2020

I. FINANCIAL STATEMENT FINDING

Finding 2020-FS01 – Inventory Observation

Views of Responsible Officials and Planned Corrective Actions:

The District did not conduct the annual bus parts inventory this fiscal year due to health and safety concerns related to the COVID-19 pandemic. Social distancing protocols and work area occupancy requirements per Santa Barbara County Health Officer Orders 2020-08 and 2020-10 would have been extremely difficult to maintain. Even with the use of personal protective equipment, the duration of “close contact” needed to conduct the inventory presented concerns of greater risk for exposure to COVID-19. Additionally, District staff would have been in confined and enclosed spaces with other District staff and employees of the inventory contractor that would not provide ventilation at the levels recommended by the CDC to minimize exposure risks. The District will be carrying out partial inventories that comply with County and CDC recommendations during the 2020-21 fiscal year. When conditions allow, the year-end bus parts inventories will resume.

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AGREED UPON CONDITIONS REPORT DESIGNED TO INCREASE EFFICIENCY, INTERNAL CONTROLS, AND/OR FINANCIAL REPORTING

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

In planning and performing our audit of the basic financial statements of the Santa Barbara Metropolitan Transit District (the District) as of and for the fiscal year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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.

The results of our audit disclosed one finding and recommendation. We are providing the disposition of the year's recommendation.

Current Year Findings and Recommendations

Finding 1 – Inventory Observation

Finding

We were unable to observe the taking of the physical inventory as of June 30, 2020, since the District elected not to perform for the fiscal year ended June 30, 2020. We were unable to satisfy ourselves regarding inventory quantities and adjustments by means of other auditing procedures. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Recommendation

We recommend the District follow its policies and procedures for performing an inventory count at year-end.

Management Response

The District did not conduct the annual bus parts inventory this fiscal year due to health and safety concerns related to the COVID-19 pandemic. Social distancing protocols and work area occupancy requirements per Santa Barbara County Health Officer Orders 2020-08 and 2020-10 would have been extremely difficult to maintain. Even with the use of personal protective equipment, the duration of "close contact" needed to conduct the inventory presented concerns of greater risk for exposure to COVID-19. Additionally, District staff would have been in confined and enclosed spaces with other District staff and employees of the inventory contractor that would not provide ventilation at the levels recommended by the CDC to minimize exposure risks. The District will be carrying out partial inventories that comply with County and CDC recommendations during the 2020-21 fiscal year. When conditions allow, the year-end bus parts inventories will resume.

Prior Year Findings and Recommendations

Finding 1 – Unearned Revenues and Net Position

Finding

During our audit, we noted the District's unexpended grant funds were recorded as restricted net position as opposed to unearned revenues. The amount of unexpended grant funds were improperly recognized as grant revenue, rather than unearned revenues (liabilities). This resulted in a prior period adjustment for the fiscal year 2017/18 for $1,072,509 and reclassifications of current year revenues to unearned liabilities.

Recommendation

The District has identified the error in accounting related to unexpended grant funds and made appropriate corrections to the basic financial statements. We recommend the District implement a policy and internal control activities, i.e., procedures to continue to track the receipt and expenditure of grant funds, and classify unexpended funds as liabilities as opposed to restricted net position.

Management Response

The District will implement a policy and internal control activity to ensure that, where appropriate, grant funds received in advance by the District are recorded as a liability and recognized as revenue when associated grant expenditures have been incurred. Furthermore, the District will review government accounting standards to determine the conditions, if any, in which advance grant revenues are immediately recognized as revenue and recorded as restricted net position until associated grant expenditures have been incurred, as has been the District's past practice.

Current Year Status

Resolved.

****

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 11, 2020

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BROWN ARMSTRONG
Certified Public Accountants

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

We have audited the financial statements of the Santa Barbara Metropolitan Transit District (the District) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 29, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2020. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of the useful lives of capital assets for purposes of calculating annual depreciation expense. Estimated useful lives range from three to forty years. We evaluated the key factors and assumptions used to develop the estimate of the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of future claims related to Workers' Compensation is based on an actuarially determined estimate of possible future liabilities. We evaluated the key factors and assumptions used to develop the estimate of the claims liability in determining that is reasonable in relation to the financial statements take as a whole.
>
> Management's estimate of net other postemployment benefits is based on actuarial valuations that involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. We evaluated the key factors and assumptions used to develop the estimate of the other employment benefits valuations in determining that the estimate is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

> The disclosure of Capital Assets and Related Depreciation, Liability Insurance, and Other Postemployment Benefits in Notes 5, 11, and 14 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements.

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

Management Representations
We have requested certain representations from management that are included in the management representation letter dated November 11, 2020.

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

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

Other Matters

We applied certain limited procedures to the Schedule of Changes in the Net Other Postemployment Benefits (OPEB) Liability and Related Ratios, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 11, 2020

SANTA BARBARA MTD

BOARD REPORT

MEETING DATE:	NOVEMBER 17, 2020	**AGENDA ITEM: #8**
DEPARTMENT:	FINANCE	
TYPE:	INFORMATIONAL ITEM	
PREPARED BY:	BRAD DAVIS	*Signature*
REVIEWED BY:	GENERAL MANAGER	*Signature*
SUBJECT:	FINANCIAL UPDATE & FIRST QUARTER REVIEW OF FISCAL YEAR 2020-21	

DISCUSSION:

Staff will present an update to the Board on the current financial outlook and the first quarter results for Fiscal Year 2020-21.

ATTACHMENT:

- Financial Update & First Quarter Review

Financial Update & First Quarter Review

November 17, 2020

Executive Summary

This financial update includes a review of the first quarter of Fiscal Year 2020-21 (FY20-21) ending last September. At the forefront of this review is the District's fiscal outlook as affected by the COVID-19 pandemic. It is helpful to begin by reviewing information and assumptions about the FY20-21 budget.

The principal concern for the District last June was the anticipated steep decline in operating revenue, mainly in fare income and sales tax receipts. While operating costs would also be down because of a reduced service level, an $8.6 million deficit was still projected before taking into account available federal emergency relief. Such a deficit would be unprecedented and equal 30% of last year's budget. With the federal CARES Act funding, severe cutbacks in expenses and the service level were avoided. There are four essential assumptions related to the pandemic built into the budget:

- The suspension in fare collection will continue in the first half of the year and resume in January 2021.
- There will be no contract fare revenue during the period that fare collection is suspended.
- Sales tax revenue will fall 22% from the prior year's budget.
- The annual service level will be reduced by 11% relative to that approved for FY19-20.

Actual results during the quarter were better than expected as sales tax revenue exceeded projected levels considerably while operating costs were held below budget. The $1.7 million deficit for the period, while well above historical quarterly amounts, did not approach the anticipated $3.1 million shortfall.

Operating Summary
3 Months Ended September 30, 2020
($ thousands)

	FY 20-21	FY 20-21	Variance		FY 19-20	Variance	
	Actual	Budget	Amt	%	Actual	Amt	%
REVENUES							
Fare Revenue	$2	$0	$2	n/a	$1,668	($1,666)	-100%
Grants & Subsidies	4,326	3,488	838	24%	4,365	(39)	-1%
Other Income	89	113	(24)	-21%	732	(643)	-88%
Total Operating Revenue	$4,417	$3,601	$816	23%	$6,765	($2,348)	-35%
EXPENSES							
Route Operations	$3,644	$3,937	($293)	-7%	$4,364	($720)	-16%
Vehicle Maintenance	1,301	1,369	(67)	-5%	1,419	(118)	-8%
Passenger Accommodations	358	446	(88)	-20%	378	(19)	-5%
General Overhead	860	939	(79)	-8%	912	(52)	-6%
Total Operating Expense	$6,163	$6,690	($527)	-8%	$7,073	($910)	-13%
Surplus / (Deficit)	**($1,747)**	**($3,089)**	**$1,343**		**($308)**	**($1,439)**	

As the largest source of operating revenue, the sale tax income results are much cause for optimism. Yet great uncertainty remains about the overall outcome for the fiscal year. Of chief concern is when conditions will permit the reinstatement of onboard fare collection, presumed to begin in less than two months. Again, the receipt of SBCC and UCSB contract fare revenue is budgeted to restart at the same time. While it remains unclear when the conditions will be met, the current outlook is no sooner than late January. Any delays would naturally impact operating revenues and increase the year's deficit—resulting in greater use of CARES Act funding. Another variable is the level of ridership when fares are again charged. This is dependent upon a number of factors such as allowable seating capacity and public perception of the safe use of public transit.

Directly affecting all of these outcomes is the state of the pandemic. Unfortunately, the number of COVID-19 cases is presently experiencing a significant upsurge just as we enter the flu season. At the same time, there is news of a highly effective COVID-19 vaccine although clinical trials are not yet completed and FDA approval is still required. If approved, there could also be delays before the vaccine is widely available to the general public. Nonetheless, it would literally change the world and, in the limited perspective of MTD, announce the beginning of a turnaround in the financial outlook.

CARES Act, Cashflow & Reserves

The federal CARES Act approved last March included $25 billion in relief funding for public transit. The FTA allocated it on the same basis as our formula operating funds resulting in MTD's apportionment of $16,390,496. Such funding is for the reimbursement of costs incurred and revenues lost as a result of the COVID-19 pandemic. Although the financial effect of the pandemic on MTD last fiscal year exceeded $2 million, the use of the CARES Act funding was limited to the $1.3 million operating deficit for FY19-20. Combined with the projected $8.6 million deficit for this year leaves a remaining balance of $6.5 million. The funds are also available to backfill pandemic-related losses for Easy Lift's paratransit service and the Clean Air Express administered by SBCAG. Initial information from the agencies is that up to $500,000 may be requested for this year. While a draft of next year's budget has not been prepared, the assumption is that the remaining funding will be needed by the District in FY21-22 to cover a substantial funding shortfall due to a continued depression in revenue.

To date, MTD has maintained adequate working capital to cover operating costs and the most recent cashflow projection indicates no concerns in this respect for the remainder of the fiscal year. This will, however, require the drawdown of CARES Act funding during the year to avoid using District's reserves. The cashflow projection is being updated to account for the higher sales tax receipts and lower expenses, which will improve the working capital/cashflow outlook.

The District's cash reserves totaled $11.1 million at the end of FY19-20. Such reserves are comprised of MTD's current assets not dedicated to specific purposes or liabilities.[1] So far, it has not been necessary to use reserves to support the expanded operating budget shortfalls resulting from the recent advent of the coronavirus. This is for the most part due to the receipt of federal emergency relief funds. Of course, the purpose of reserves funds is to provide relief in times of fiscal crises. If such a likelihood were on the horizon, staff would be preparing and proposing emergency measures to mitigate the impending fiscal distress through service cutbacks and other means.

Operating Revenue

Total operating revenue of $4.4 million surpassed the budget projection by 23% while coming in 35% less than in the prior fiscal year (see table on following page). Again, greater than expected sales tax receipts explains the majority of the budget variation; the revenue decrease from FY19-20 was due to the lack of fare revenue in the current quarter. Further details on these and other revenue sources are reviewed below.

Fare Revenue–Even with foreknowledge, it is still daunting to view a District financial report with zeroes for fare revenue. Such is the current reality of the COVID-19 pandemic and the necessity of putting the welfare of MTD's workforce and patrons as the higher priority. For comparison, fare revenue in last year's first quarter was $1.7 million. Again, the expectation is for this unparalleled situation to end in the second half of the fiscal year, although it will surely take time to rebuild passenger fares to anything approaching pre-pandemic levels. With this situation and the lack of contract fares for the first quarter, there is nothing further to report other than a reminder that these conditions are built into the budget and there is sufficient Cares Act funding to make up the temporary revenue loss.

Sales Tax Revenue–Offsetting the passenger fare results is the unexpected recovery of sales tax revenue following the steep decline in retail sales last spring. MTD's revenue from both LTF sales tax collected from statewide sales tax activity and Measure A sales tax income generated locally actually exceed last year's first quarter revenue. As reported on the State's Legislative Analyst's Office website, "September was the fifth straight month of growth in U.S. retail sales and the fourth straight month in which sales were higher than last year." Given the statewide shutdown at the time the budget was prepared, the decrease in District sales tax revenue was projected at 22% for FY20-21. Built into the assumption was that the heaviest toll was expected early in the

[1] Such unallocated resources are represented on the Statement of Net Position by Unrestricted Net Position.

fiscal year with first quarter receipts projected to be down 42% from the prior year. This accounts for the particularly large budget variances from budgeted first quarter LTF and Measure A income.

Operating Revenue Detail
3 Months Ended September 30, 2020
($ thousands)

	FY 20-21 Actual	FY 20-21 Budget	Variance Amt	Variance %	FY 19-20 Actual	Variance Amt	Variance %
FAREBOX REVENUE							
Cash Fares	$0	$0	$0	n/a	$528	($528)	-100%
Pass Sales	2	0	2	n/a	531	(529)	-100%
Contract Fares	0	0	0	n/a	587	(587)	-100%
Other Fare Programs	0	0	0	n/a	22	(22)	-100%
Subtotal	$2	$0	$2	n/a	$1,668	($1,666)	-100%
GRANTS & SUBSIDIES							
LTF Sales Tax Revenue	$2,143	$1,240	$903	73%	$2,142	$1	0%
FTA Operating Assistance	1,479	1,479	(0)	0%	1,232	247	20%
Measure A Sales Tax	597	328	268	82%	585	11	2%
Other Operating Assistance	107	440	(333)	-76%	405	(299)	-74%
Subtotal	$4,326	$3,488	$838	24%	$4,365	($39)	-1%
OTHER INCOME							
Advertising on Buses	$68	$58	$11	18%	$105	($37)	-35%
Interest on Investments	19	46	(27)	-58%	62	(43)	-69%
Other Income	1	9	(7)	-85%	564	(563)	-100%
Subtotal	$89	$113	($24)	-21%	$732	($643)	-88%
Total Operating Revenue	**$4,417**	**$3,601**	**$816**	**23%**	**$6,765**	**($2,348)**	**-35%**

Federal Assistance–The Senate passed the Continuing Appropriations Act in September providing a one-year extension to the Fixing America's Surface Transportation (FAST) Act that was set to expire September 30. This means that, unless later superseded, the District will receive $5.8 million in FTA Section 5307 operating assistance in FY20-21, the same level as last year. As the budget assumed a 2% increase in such funding, it will be revised in the upcoming midyear budget revision. The 20% increase over last year is due to lower estimates at that time, which preceded approval of the federal budget.

Other Operating Assistance–Directly subsidized routes include the Line 28, expanded hours on the express Lines 12/24, Amtrak commuter train first/last mile service, and the new microtransit service. Only the Lines 12/24 hours expansion was provided during the first quarter, although the Line 28 was also budgeted for that period. This accounts for the operating assistance for the contract services being well under budget. The same situation will occur in the second quarter as well. However, there is a negligible effect on the overall budget for the six months as the District in not incurring the operating cost for running the Line 28. The first/last mile and microtransit routes are budgeted to begin this January.

Other Income–Revenue from the rental of ad space on buses, while more than budgeted for the quarter, was well down from last year as anticipated. The assumption is that ad revenue will begin to pick up in the second half of the fiscal year. With the continued reduction in the rate of return on the Local Agency Investment Fund (LAIF), interest income is markedly down relative to both the budget and FY19-20. The current LAIF rate of return is 0.59%, whereas the budget assumption is 1.5%—down from the high of 2.45% last year. The drop stems from the lowering of the federal funds rate by the Federal Reserve to stimulate the economy. Of note, about 20% of District investments are held in a CD earning 2%.

Operating Expenses

Operating expenses of $6.2 million for the quarter were both under budget and less than in FY19-20 (see table on the following page). With the reduced service level presently in place, the decrease compared to last year was expected, although not to the extent that occurred. While costs are down nearly across the board, the main reasons for the greater variance are the supplying of fewer revenue hours than expected and positive workers' compensation results during the three months. Further details on these and other notable expenditure deviations are reviewed below.

Operating Expense Detail
3 Months Ended September 30, 2020
($ thousands)

	FY 20-21 Actual	FY 20-21 Budget	Variance Amt	Variance %	FY 19-20 Actual	Variance Amt	Variance %
ROUTE OPERATIONS							
Drivers	$2,587	$2,788	($201)	-7%	$2,981	($393)	-13%
Dispatch & Supervision	170	169	1	1%	195	(25)	-13%
Hiring & Training	95	102	(7)	-7%	96	(1)	-1%
Risk & Safety	541	627	(86)	-14%	850	(309)	-36%
Transportation Subsidies	250	250	0	0%	243	7	3%
Subtotal	$3,644	$3,937	($293)	-7%	$4,364	($720)	-16%
VEHICLE MAINTENANCE							
Mechanics	$263	$286	($24)	-8%	$286	($24)	-8%
Cleaners & Fuelers	186	229	(43)	-19%	205	(19)	-9%
Supervision	187	191	(5)	-2%	200	(13)	-7%
Vehicle Consumables	424	474	(50)	-11%	561	(137)	-24%
Bus Parts & Supplies	184	155	29	18%	174	10	6%
Vendor Services	17	11	5	49%	(2)	19	-957%
Risk & Safety	41	21	20	92%	(4)	45	-1098%
Subtotal	$1,301	$1,369	($67)	-5%	$1,419	($118)	-8%
PASSENGER ACCOMMODATIONS							
Passenger Facilities	$150	$158	($8)	-5%	$138	$12	9%
Transit Development	94	93	0	0%	82	12	14%
Marketing & Community Relatic	46	113	(67)	-59%	81	(35)	-43%
Fare Revenue Collection	68	81	(13)	-16%	77	(8)	-11%
Subtotal	$358	$446	($88)	-20%	$378	($19)	-5%
GENERAL OVERHEAD							
Finance	$136	$154	($18)	-12%	$163	($26)	-16%
Personnel	48	80	(33)	-41%	46	2	4%
Utilities & Communication	72	63	9	14%	73	(1)	-2%
Operating Facilities	100	153	(53)	-35%	107	(8)	-7%
District Administration	505	489	16	3%	523	(19)	-4%
Subtotal	$860	$939	($79)	-8%	$912	($52)	-6%
Total Operating Expenses	**$6,163**	**$6,690**	**($527)**	**-8%**	**$7,073**	**($910)**	**-13%**

Service Level—The service level for this year is 200,000 revenue hours, an 11% rollback from the 224,000 hours scheduled for last year. The reduction is a response to less service demand stemming from the pandemic.[2] While suspended during the spring, the Line 28 serving the UCSB community was expected to restart this fiscal year. Due to the decision by UCSB (as well as SBCC) to prioritize distance learning, the Line 28 has not been reinstated. With the smaller base service level, the result is a 4% reduction in revenue hours. The outcome is lower expenses for driver wages and benefits, fuel, lubricants, tire leasing, and other variable costs.

Workers' Compensation—As has been the trend in past years, workers' compensation costs continue to play a key role in budget variations and comparisons to the prior year. At this juncture, the results for drivers are a positive influence on District finances with expenses for the quarter below budget by 27% and down 64% from

[2] Most service suspensions are related to school campus closures and reduced tourism although demand is down in general due to job losses, telecommuting, and remaining at home much more often.

FY19-20. As is also the case, such risk costs tend to vary considerably over the course of the year so it is too early to put credence in the numbers.

Also driving reduced costs are unfilled positions, a large reduction in driver overtime, and limited marketing activity.

BOARD OF DIRECTORS REPORT

MEETING DATE:	NOVEMBER 17, 2020	**AGENDA ITEM: #9**
DEPARTMENT:	CAPITAL PROJECTS	
TYPE:	ACTION ITEM	
PREPARED BY:	RYAN GRIPP	_______________ *Signature*
REVIEWED BY:	GENERAL MANAGER	_______________ *Signature*
SUBJECT:	FLEET RENEWAL CAMPAIGN RFP CONTRACT AWARD RECOMMENDATION	

RECOMMENDATION:

Staff requests that the Board authorize the General Manager to enter into a contract with Complete Coach Works for a bus refurbishment campaign that includes Base and some Optional tasks for buses in Groups 1 and 2 for $3,706,591 and an additional $2,768,092 to pursue a portion of the tasks in Group 3 at MTD's discretion. The total value of the contract would be $6,474,683 if MTD elects to exercise all of the options referenced (a 10% contingency for unforeseen work is included). The recommendation if approved would result in a budget revision to the Fleet Renewal Campaign (FRC) project of $2,118,729.

DISCUSSION:

Background—The Fleet Renewal Campaign (FRC) is part of an ongoing effort to maintain the safety, reliability, service availability, driver and passenger comfort, and branding uniformity of MTD's transit bus fleet. It also provides an opportunity to extend the useful life of a portion of the buses in the fleet. MTD's current bus fleet consists of 113 vehicles. Of those, 14 are battery-electric, 10 are newly acquired (model year 2019), and four will be replaced by New Flyer battery-electric buses in 2021 (acquisition approved by Board in September 2020).

The remaining 85 buses, ranging in size, mileage, and age, are the focus of MTD's FRC. The Federal Transit Administration's (FTA) defined useful life for 35'-40' and articulated heavy-duty transit buses is 12 years or 500,000 miles and is 7 years or 200,000 miles for 30' medium-duty transit buses. While heavy-duty transit buses are designed and built to operate beyond FTA's defined useful life, the benchmark is a useful reference for evaluating a fleet. The buses from the FRC have an average age of 10 years and average mileage of 366,842. Investing in them now is imperative for their longevity, which is critical for a successful transition to battery-electric vehicle technology. MTD's existing non-electric fleet serves as a bridge by enabling MTD to pursue its goal of an electrified fleet without sacrificing service to its passengers.

Project Description—The FRC consists of the refurbishment, with varying levels of work, of up to 12 sub-fleets (buses procured at the same time that share the same make, model, propulsion system, size and model year) that account for 85 buses from MTD's fleet. The sub-fleets are divided into three distinct groups (labeled “Group 1”, “Group 2”, and Group 3”). Sub-fleets were chosen for a particular group based upon their fleet profile (age, condition, and propulsion system) and operational usefulness (30’ and 60’ buses serve specific lines based upon demand and route characteristics, which elevate their importance to the fleet from an operational perspective). A breakdown of the sub-fleets and their assigned group may be found in the table below.

Group	MTD Sub-fleets	Vehicle Mfr	Fuel/Drive Train	Length	Age	Avg. Mileage	Model Year	Qty
Group 1	615-621	Gillig	Diesel	40-ft	9	355,296	2011	7
Group 2	622-634	Gillig	Diesel	40-ft	7	304,602	2013	13
	635-639	Gillig	Diesel	40-ft	4	206,874	2016	5
	640-642	Gillig	Diesel	40-ft	3	150,450	2017	3
	715-717	Gillig	Hybrid	29-ft	11	196,474	2009	3
	1001-1003	Nova	Diesel	60-ft	6	191,789	2014	3
Group 3	438-450	Gillig	Diesel	40-ft	17	353,460	2003	13
	600-608; 611-612; 614	Gillig	Diesel	40-ft	16	584,747	2004	12
	701; 703-704; 706-710	Gillig	Diesel	29-ft	16	452,346	2004	8
	711-713	Gillig	Diesel	29-ft	14	384,747	2006	3
	900-907	Gillig	Hybrid	40-ft	13	464,601	2007	8
	908-910; 912-915	Gillig	Hybrid	40-ft	9	283,206	2011	7
Bus Total								85

Within each group is a laundry list of tasks ranging from cosmetic improvements to major mechanical upgrades. In Groups 1 and 2, those tasks are divided into two categories, Base and Optional. Base tasks are those that MTD intends to have completed during the project. Optional tasks are those that MTD may choose to have performed, but is not obligated to do so. The Optional tasks requested of the Contractor will be determined on a bus by bus basis. Such determination will take into account the need for the upgrade and impact on the project budget.

All work associated with Group 3 is Optional. Work selected to be done in that group is at MTD’s sole discretion and will be based upon fleet needs and the project budget. Sub-fleets listed in Group 3 are generally the oldest, costliest to maintain, and scheduled for near-term replacement.

The Base and Optional tasks listed in the groups vary. Group 1 is the most extensive overhaul. The Base work includes major mechanical upgrades like new engines (provided by MTD); rebuilt transmissions; new steering and suspension, as well as major comfort and aesthetic improvements that include new paint; decals; and seating, to name a few. Optional tasks include floors; lighting; windshields; new heating and air conditioning; and other upgrades. The Base and Optional tasks listed in Group 2 are far fewer and less heavily focused on mechanical improvements. The Base work includes new paint; decals; seating; and ADA restraint system upgrades. The Optional work includes new windshield panels; driver's seat; and heating and air conditioning. *Group 3 combines all Base and Optional tasks from Group 2. But any work to be performed, and buses selected to receive such work, is at MTD's discretion for Group 3.*

After MTD issues a "Notice to Proceed" to the Contractor, it is anticipated that the Contractor will need 45 days to procure parts and prepare the production lines at their facility. Work for Groups 1 and 2 buses will begin simultaneously and take place concurrently. Tasks on the 7 buses in Group 1 and the 27 buses in Group 2 are anticipated to be completed within 9 and 10.5 months, respectively. The foregoing timeline includes 120 days to complete the pilot bus for Group 1 and 48 days to complete the pilot bus for Group 2. The proposed schedule reflects the Contractor's best effort to minimize interference with revenue service and avoid drastically impacting the spare fleet ratio while completing the work expeditiously. Work on the 51 buses in Group 3, if initiated by MTD, will take place any time between the completion of work on Groups 1 and 2 and the end of the three year contract term. If MTD, at its discretion, elects to proceed with work associated with Group 3, MTD staff will provide the Contractor with adequate notice and will coordinate the timing and specific tasks to be completed for each bus with the Contractor.

PROJECT BUDGET & FUNDING:

The Complete Coach Works contract is valued at $6,474,683. Combined with the acquisition of new Cummins engines for $483,046 raises the FRC project cost to $6,963,729. The FY 2020-21 Capital Budget for the FRC is $4,845,000, which is comprised of FTA 5339(a) and TDA-STA funds. The minimum commitment to the Contractor based upon the *Scope of Work* is for the Base work in Groups 1 and 2, which totals $2,809,656. Staff is requesting sufficient budget authority to pursue a select number of Optional tasks on all three Groups of buses. It should be noted that the specific tasks and buses to be addressed in Group 3 is fluid, and will likely change over the three year contract term. As a result, work performed on Group 3 buses may not require the full allocation.

MTD has sufficient Transportation Development Act – State Transit Assistance (TDA-STA) capital funds to absorb the additional $2,118,729 budget allocation recommendation. The Fiscal Year 2020-21 capital budget reserved TDA-STA funds as a match for discretionary grant requests that were not awarded and are now available for reallocation to the retrofitting project.

Furthermore, MTD anticipates being awarded State of California, State of Good Repair (SGR) funding in 2021. The SGR program is funded by a portion of the state's vehicle registration fee. SGR comprises a population-based share, which flows through regional planning agencies such as SBCAG, and a fare-revenue-based share, which is passed directly to transit agencies. SBCAG plans to conduct a four-year call for projects that will award the population-based share to chosen projects in the county for FY 2021-22 through FY 2024-25. The total amount of population-based funding expected for those four years is $2,673,048. MTD intends to request ½ of the total, or $1,336,524. SBCAG expects to announce the chosen projects in March 2021. SBCAG will also determine in which year the chosen projects will receive funding. MTD estimates that the fare-revenue-based share that flows directly to transit agencies will be $139,323 annually, for a four-year total of $557,292. Beyond SGR, MTD will seek other discretionary funding opportunities to augment the capital budget for other priority projects.

SOLICITATION PROCESS:

Request for Proposal— The Request for Proposals (RFP) procurement process was used in order to take into account price and other factors related to experience and technical capacity. The RFP was publicly noticed in July 2020 in the *Ventura County Star* and the *Santa Barbara News-Press*. It was simultaneously emailed to firms on MTD's bidders list, which included a very limited pool of vendors due to the specialized nature of the work. Only one firm attended a non-mandatory virtual pre-proposal meeting that provided interested parties with an opportunity to ask questions and learn more about the RFP from MTD personnel. That same firm was the sole attendee to the non-mandatory vehicle inspections that allowed potential bidders to evaluate a representative sampling of MTD buses selected to be addressed during the FRC. Subsequent questions and requests for clarification resulted in two addenda, and the bid process culminated in the receipt of one proposal by the September 2020 deadline.

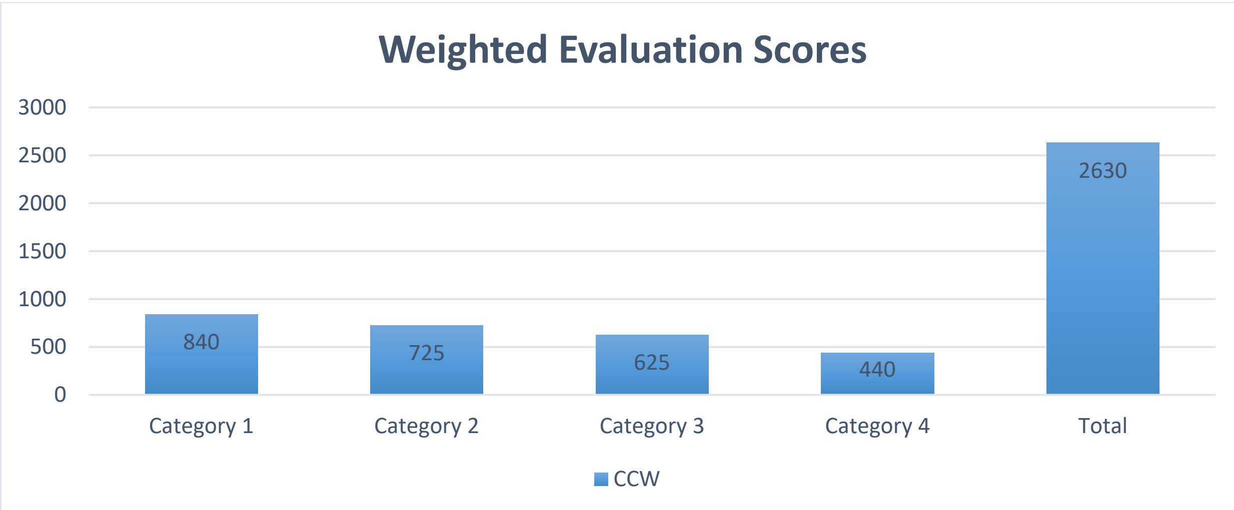
<u>Responsiveness & Responsibility</u>—CCW's proposal was reviewed for "responsiveness" to determine that all required materials, information, and forms were provided. After being found responsive, their proposal progressed to the evaluation stage. After a technical review of CCW's proposal (discussed below), it was advanced to the "responsibility" review, which included comprehensive discussions with references and an evaluation of CCW's financial capacity to undertake the requirements of the contract. CCW was found responsible and thus progressed to the interview stage of the process.

<u>Proposal and Firm Evaluation</u>—Because of the nature of the work required for this project, the Evaluation Committee was comprised of transit professionals with expertise in fleet maintenance. The three-member committee included Nolan Robertson, MTD Fleet and Facilities Manager; Robert Lurie, MTD Maintenance Supervisor (retired Facilities and Maintenance Manager of Gold Coast Transit District); and Ryan Gripp, MTD Capital Projects Manager. The committee's mandate was to determine the firms whose proposals most closely met the evaluation criteria in the RFP.

The technical evaluation was carried out in June 2020. The committee members independently reviewed CCW's proposal and came together to score it based upon the following criteria: technical proposal; qualifications of firm and experience; project approach and schedule; and price proposal. Each criterion was weighted by importance according to the following table:

Category	Description	Scoring Criteria
1. Technical Proposal	Quality of firm's technical proposal, and process and procedures for performing work described in the *Scope of Work*.	30
2. Qualifications of Firm and Experience	Relevant experience of the proposer and key personnel specific to the work required under the *Scope of Work,* and customer references.	25
3. Project Approach and Schedule	Effectiveness of the proposer's project management structure, quality of facilities to be used in executing and managing the project, thoroughness and timeliness of the proposed project schedule, and commitment to minimizing disruption to revenue service.	25
4. Price Proposal	The competitiveness, cost effectiveness and reasonableness of the proposer's project cost.	20
TOTAL		**100**

The committee met over a couple hours evaluating and discussing the submittal, and individually assigning scores to each of the criteria on a scoresheet. The raw scores from each committee member's scoresheet were then weighted based upon the table above and totaled. The total out of a possible 3000 points (1000 possible points from each committee member) for CCW is listed in the graph below.



Based upon favorable scoring during technical evaluations and determination of responsiveness and responsibility, MTD invited CCW for an interview via Zoom video conferencing. The interview panel was comprised of the same three MTD staff members from the Evaluation Committee. The interview provided CCW an opportunity to further demonstrate their qualifications and ability to fulfill the *Scope of Work.* It also provided the Evaluation Committee an opportunity to meet key team members from CCW who would oversee various aspects of the project. The interview was very productive and CCW did an outstanding job of presenting their strengths and answering questions. These are some of the highlights that punctuate CCW's ability to deliver on MTD's RFP:

- Significant experience with, and resources to perform, proposed tasks in MTD's *Scope of Work.*
  - Has completed similar projects for many other major transit agencies throughout the country.
- Exceptionally well qualified team of technicians and management personnel that undergo continuing education during their employment with CCW.
  - Staff is large and diverse – CCW team runs the gamut of professional expertise from painters to engineers and can cover all disciplines necessary to complete MTD's *Scope of Work* with in-house personnel.
- Highly communicative and responsive; indicated that the success of the type of tasks in MTD's *Scope of Work* is highly dependent on frequent communication, which they encourage and facilitate throughout the project.
- Extensive experience working with public transit agencies, which provides them with a deep understanding of the importance of strict adherence to the project schedule and budget.
- Employs a detailed process for managing unforeseen work discovered while executing a project to provide transparency to the customer and allow for seamless integration of new tasks should the customer elect to add them to the scope of work.

- Provided a detailed work plan with a comprehensive schedule, which shows a clear understanding of the tasks in the *Scope of Work*, and the time and resources necessary to accomplish them.

In October 2020, MTD entered into negotiations with CCW and requested a best and final offer (BAFO). Their BAFO was provided by the deadline and included clarification on warranty provisions, a description of training offered for various mechanical systems, and a price reduction to one of the tasks. A price analysis was conducted on the BAFO provided by CCW. Staff compared the proposed pricing with the Independent Cost Estimate (ICE), agreements for similar work at other California transit systems, as well as a national industry report that projected pricing for similar work. Staff research found that CCW's labor and material costs presented in the BAFO are in line with current industry rates for similar work. Based upon the foregoing, CCW's proposed pricing is considered fair and reasonable.

CONTRACT EXECUTION

If the Board authorizes the General Manager to enter into a contract with CCW, MTD staff will issue the firm a "Notification of Contingent Award" indicating MTD's intent to execute a contract for the Fleet Renewal Campaign RFP after receipt of required certificates of insurance. Once the requisite forms have been provided, MTD's General Manager will execute the contract.

SANTA BARBARA MTD

BOARD OF DIRECTORS REPORT

MEETING DATE:	NOVEMBER 17, 2020	**AGENDA ITEM: #10**
DEPARTMENT:	CAPITAL PROJECTS	
TYPE:	ACTION ITEM	
PREPARED BY:	RYAN GRIPP	_____________ *Signature*
REVIEWED BY:	GENERAL MANAGER	_____________ *Signature*
SUBJECT:	RECOMMENDATION TO AWARD A SOLE SOURCE CONTRACT TO CUMMINS PACIFIC	

RECOMMENDATION:

Staff requests that the Board authorize the General Manager to award a contract to Cummins Pacific for the procurement of seven Cummins EPA2017 L9 diesel engines for $489,046 to repower buses as part of MTD's Fleet Renewal Campaign (FRC).

DISCUSSION:

Staff plans to request authorization from the Board to pursue the FRC project to maintain the safety, reliability, service availability, driver and passenger comfort, and branding uniformity of MTD's transit bus fleet. The FRC includes engine replacements for seven 2011 Gillig buses to extend their useful life by a minimum of six years. The engine recommended by staff based upon extensive research is the Cummins EPA2017 L9 diesel engine, which staff proposes to purchase directly from Cummins Pacific as a sole source procurement.

MTD's Gillig buses were specifically designed for operation with Cummins diesel engines. Cummins Inc. is the sole manufacturer of the engine and in California Cummins Pacific is the only distributor. The engine and the entire line of replacement parts can only be purchased through a single source: Cummins Pacific. The only alternative is to allow the FRC contractor to purchase the engines directly from Cummins Pacific, but the cost to MTD would include a significant markup.

To further enhance the FRC effort, staff recommends the Cummins L9 engine replacement to be completed with the more advanced Cummins EPA2017 L9 diesel engine with the integrated exhaust aftertreatment system that removes particulate matter from the engine's exhaust system. This aftertreatment meets the Federal Environmental Protection Agency (EPA) and California Air Resource Board (CARB)'s current fleet rules, standards, and criteria (effective May 31, 2017), which permits transit agencies to operate diesel buses through the 2040 zero-emission fleet conversion deadline. The engine system boasts the best power-to-weight ratio in its class and is expected to improve fuel economy up to 15% when compared to the current engine. Furthermore, replacing the engines in these vehicles, which have each accumulated over 350,000 miles, will result in a marked decrease in the sub-fleet's maintenance costs because they will be covered by Cummins' 5 year / 200,000-mile extended warranty.

BUDGET & FUNDING:

MTD has received a quotation from Cummins Pacific for a price of $59,071 per unit (excluding taxes and other fees). The total funding request of $489,046 includes the purchase of seven units plus sales tax, an extended warranty, and installation quality assurance (IQA) fees.

The $489,046 for the purchase of the engines is part of the $4,845,000 allocated for the FRC in the FY 2020-21 Capital Budget, which is comprised of FTA 5339(a) and TDA-STA funds.

PROCUREMENT METHOD:

MTD and FTA procurement policy provides for non-competitive negotiation (sole source) procurements only when a set of specific conditions exist. In this case, the key conditions are met: Cummins is the only source for the Cummins EPA2017 L9 diesel engines configured for Gillig buses, and the price is no higher than that paid by other customers.

Cummins Pacific has provided engines for similar repowering projects through a single source procurement to a host of other public transit agencies including Los Angeles County Metropolitan Transportation Authority (Metro), Orange County Transportation Authority (OCTA), and San Diego Metropolitan Transit System (MTS*).* In 2018, Gold Coast Transit District (GCTD) conducted a similar project with their New Flyer fleet and paid $65,783 per engine for the CNG variant of the L9 engine – MTD will be paying $6,712 less than GCTD paid.

For the Independent Cost Estimate (ICE), MTD staff compared the pricing with transit agencies nationwide, which resulted in MTD paying 1.3% less. See the chart below for details.

ICE	$59,867
Cummins quotation to MTD	$59,071
Savings Realized	$ 796

The difference in prices among the contracts reviewed is due to four key factors: volume pricing, state regulations, engine/aftertreatment specifications, and an increase in the Consumer Price Index (CPI) resulting from the COVID-19 pandemic. Based upon the foregoing, the $489,046 price for the seven Cummins EPA2017 L9 diesel engines is determined to be fair and reasonable.

IMPLEMENTATION:

If approved by the Board, a Purchase Order will be issued to Cummins Pacific for the engines. The awarded Contractor for the FRC will carry out the installation labor for each engine based upon the agreed-upon schedule for that project.

BOARD OF DIRECTORS REPORT

MEETING DATE: NOVEMBER 17, 2020 **AGENDA ITEM: #11**

DEPARTMENT: PROCUREMENT

TYPE: ACTION ITEM

PREPARED BY: VALERIE WHITE

____
Signature

REVIEWED BY: GENERAL MANAGER

____
Signature

SUBJECT: AWARD AGREEMENT FOR A WORKERS' COMPENSATION THIRD PARTY ADMINISTRATOR

RECOMMENDATION:

Staff recommends that the Board of Directors authorize the General Manager to award and execute a $359,475 Agreement with Tristar Risk Management for Third-Party Administration (TPA) Services for MTD's self-insured Workers' Compensation Program. The contract includes a base term of three years and six months with two additional option years:

- $222,222 for the three year, six month period January 1, 2021 through June 30, 2024;
- $67,612 for the term July 1, 2024 through June 30, 2025; and
- $69,641 for the term July 1, 2025 through June 30, 2026.

BACKGROUND:

As a self-insured employer, MTD retains the services of a TPA to ensure its workers' compensation program meets the complex requirements set forth by the State. Since 2005 MTD has worked with Workers' Compensation Administrators, LLC. To ensure MTD is receiving the best value for TPA services, a Request for Proposals (RFP) was issued on September 15, 2020.

The RFP asked each Offeror to present their organization's capabilities, present qualified staff and create a work plan that addressed how they manage reporting of injuries; employee contact; claims administration with timely and accessible documentation; claims investigation; calculating lost time and salary information; risk management consulting; and assisting MTD in developing cost control strategies.

Furthermore, there have been significant innovations in the industry that are proving to reduce claims escalation and litigation. Such advancements, that MTD currently does not have access to, include a Risk Management Information System *(*RMIS*).* The RMIS combines loss data in a comprehensive platform that offers claim status transparency and outputs high-level financial perspectives and insight in to work-safety plans. This solicitation allowed MTD to evaluate the various approaches and substantive differences among service offerings.

PROCUREMENT METHOD:

The solicitation was carried out as a competitive proposal procurement. MTD received and evaluated seven responsive proposals. An Evaluation Committee made up of MTD's Mary Gregg, Director of Human Resources and Risk, Rafael Cortez, Risk Administrator, and Steve Maas, Grants and Compliance Manager, determined which firms would provide MTD with the best "value." Value for this RFP was determined by assigning weight to the four principal criteria: 20% - Firm Experience and Expertise; 20% - Staffing Plan; 35% - Work Plan; and 25% - Price Proposal. On a 1,000 point scale the proposals scored as follows:

Innovative Claim Solutions	Hazelrigg Claims Management	Pegasus Risk Management	LWP Claims Solutions	**Intercare Holdings Insurance**	**American Claims Management**	**Tristar Risk Management**
581.23	635.66	654.25	699.18	**736.96**	**803.33**	**821.65**

Three proposals were considered to be in the competitive range and were interviewed: Tristar Risk Management, American Claims Management, and Intercare Holdings Insurance Services. Demonstrations of their proposed RMIS and other innovations utilized for claims administration and management were included. Work and credit references were checked. Based on extensive assessments, the Evaluation Committee recommends awarding the contract to Tristar Risk Management. A contract with Tristar Risk Management will offer many benefits to MTD, including:

1. Highly sophisticated technology systems that utilize analytics for improved claims management, reserve management, and communication with a proprietary RMIS, and a mobile app for both employees and MTD Risk Department.
2. A collaborative and consultative approach - from safety videos, roundtables and client training sessions to developing a reserve philosophy and selecting legal counsel. In particular, the reserve philosophy was from an actuarial perspective, changing settlement plans of action by claim type.
3. Transit industry experience providing specific ergonomic and exoskeleton care strategies as well as insight to light-duty and return to work plans specifically for bus operators working under a Collective Bargaining Agreement. Tristar Risk Management is an American Public Transportation Association (APTA) member.
4. Security with leading, audited standards in HIPAA and SSAE16/SOC 1 Type II Compliance for data security and URAC Accreditation recognizes national standards and respect patients' and providers' rights. There is a commitment and cohesiveness with Public Risk Innovation, Solutions, and Management (PRISM), MTD's excess Workers' Compensation insurance carrier, via Special District Risk Management Authority (SDRMA).

PRICE ANALYSIS:

Overall, the fiscal impact for Workers' Compensation TPA to MTD through the maximum term of the proposed agreement of five years is $359,475. Prior to the release of the RFP, an Independent Cost Estimate (ICE) was performed indicating $62,224 per year, considering the year-over-year Consumer Price Index increases at 3.5%. The offer by Tristar Risk Management for the first full fiscal year is $61,875 (0.6% less than ICE). Further analysis indicated below shows additional savings to MTD. MTD has found Tristar Risk Management's price fair and reasonable.

	Base Contract	*Savings*	*Five Year Term*	*Savings*
Tristar Risk Management	**$222,222**		**$359,475**	
Comparison to Average Bid	$228,100	$5,878 (2.58 %)	$367,206	$7,731 (2.11%)
Comparison to ICE	$223,728	$1,506 (0.67%)	$364,363	$4,888 (1.34%)

Coverage under this contract also includes “managed care” services that are based on a fee schedule used to reimburse the third-parties providing the services. Such fees are charged directly to associated claims and incorporated into the total reserves set for each claim. Typical managed care includes industry standard services such as Bill Review, Utilization Review Services, and a Nurse Triage Program. Such services are utilized by the TPA to reduce the overall cost of the claim but are not included in its fixed administrative fee. In the fiscal year 2019-20, managed care fees came to $40,140.

ATTACHMENTS:

- Master Agreement with FTA Contract Provisions
- Tristar Risk Management Proposal with Pricing

Santa Barbara Metropolitan Transit District

Workers' Compensation Third-Party Administration

MASTER AGREEMENT with TRISTAR RISK MANAGEMENT

THIS AGREEMENT is entered into by and between Santa Barbara Metropolitan Transit District, an incorporated transit district under Sections 95000, et seq. of the California Public Utilities Code ("MTD"), Tristar Risk Management, a California third party administrator ("Contractor"), at Santa Barbara, California, as of the later date set forth below the signatures executing this Agreement.

WHEREAS:

A. MTD desires to engage Contractor for Workers' Compensation Third-Party Administration (the "Project");

B. Contractor represents that it has the knowledge and experience to carry out the Project, and desires to carry out the Project pursuant to the terms and conditions hereof, and;

C. Based upon the representations made by Contractor, MTD desires to retain the services of Contractor to carry out the aforesaid Project, upon the within terms and conditions.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

1. Effect of Recitals. The foregoing recitals are hereby made express provisions of this Agreement.

2. FTA Provisions. The Project is funded in part by the Federal Transit Administration of the U.S. Department of Transportation and, as such, this Agreement is subject to the terms and conditions contained in *Federal Transit Administration: Contract* which is attached hereto as Exhibit "A" and incorporated herein by this reference.

3. Public Works Provisions. Not applicable to this Agreement.

4. Scope of Services. MTD has heretofore issued on September 15, 2020 the scope of services contained in the Request for Proposals for Workers' Compensation Third-Party Administration, a true copy of which is attached hereto as Exhibit "B" and incorporated herein by this reference.

5. Proposal. Contractor has heretofore submitted on October 8, 2020 a proposal to carry out the Project, true copies of relevant parts that are attached hereto as Exhibit "C" and incorporated herein by this reference.

6. Order of Control. Contractor shall carry out the Project described in Exhibit "B" to this Agreement for the price quoted in Exhibit "C". All work and services shall be performed according to and controlled by the terms and provisions of this Agreement and the exhibits attached hereto. In the event of any conflict between the contract documents, the following order of control shall prevail: MTD Master Agreement, Exhibit "A", Exhibit "B", Exhibit "C".

7. Contract Price. Contractor shall carry out the Project for the fixed prices that are in accordance with Exhibit "C".

8. Payment. Contractor shall submit quarterly invoices to MTD for services rendered. Payment from MTD shall be made to Contractor no later than thirty (30) days and receipt of a valid invoice, which shall be sent via email to AP@sbmtd.gov.

9. Taxes. MTD is exempt from the payment of Federal Excise and Transportation taxes. Unless specified otherwise in the Agreement, MTD is subject to applicable California Sales Tax for Santa Barbara County which shall have been included in the Contractor's proposal price and shall be included on the Contractor's invoice.

10. Project Schedule. Contractor shall provide services for the three year, six month period January 1, 2021 through June 30, 2024 with two one-year options for the periods July 1, 2024 through June 30, 2025 and July 1, 2025 through June 30, 2026.

11. Delivery & Freight. Unless specified otherwise in the scope of services, any item provided under this Agreement shall be delivered FOB Santa Barbara to 550 Olive Street, Santa Barbara, CA 93101. Any Project freight and

delivery charges shall have been already included in the Contractor's proposal price and shall not be paid otherwise by MTD.

12. Title & Risk of Loss. Not applicable to this Agreement.

13. Damages. All losses or damages arising from any unforeseen circumstances, either natural or artificial, which may be encountered by the Contractor during the performance of the Project under this Agreement shall be sustained solely by the Contractor. This provision shall also apply to losses or damages resulting from any act or omission not authorized by this Agreement on the part of the Contractor or any agent or person employed by the Contractor.

14. Defective, Damaged or Noncompliant Work. Not applicable to this Agreement.

15. Acceptance. Not applicable to this Agreement.

16. Warranty. Not applicable to this Agreement.

17. Changes. Any changes or modifications to this Agreement must be in writing, and agreed to by both parties.

18. Insurance.

a. Contractor's Insurance Representations to MTD.

i. It is expressly understood and agreed that the insurance coverages required herein:

A. represent MTD's minimum requirements and are not to be construed to void or limit Contractor's indemnity obligations as contained in this Agreement nor represent in any manner a determination of the insurance coverages Contractor should or should not maintain for its own protection; and

B. are being, or have been, obtained by Contractor in support of Contractor's liability and indemnity obligations under this Agreement. Irrespective of the requirements as to insurance to be carried as provided for herein, the insolvency, bankruptcy, or failure of any insurance company carrying insurance of Contractor, or the failure of any insurance company to pay claims accruing, shall not be held to affect, negate, or waive any of the provisions of this Agreement.

ii. Failure to obtain and maintain the required insurance shall constitute a material breach of, and default under this Contract. If Contractor shall fail to remedy such breach within five (5) business days after written notice by MTD, Contractor will be liable for any and all costs, liabilities, damages and penalties resulting to MTD from such breach, unless a written waiver of the specific insurance requirement(s) is provided to Contractor by MTD. In the event of any failure to Contractor to comply with the provisions of this portion of the Agreement, MTD may, without in any way compromising or waiving any right or remedy at law or in equity, on notice to Contractor, purchase such insurance, at Contractor's expense, provided that MTD shall have no obligation to do so and if MTD shall do so, Contractor shall not be relieved of or excused from the obligation to obtain and maintain such insurance amounts and coverages.

b. Conditions Affecting All Insurance Required Herein.

i. Cost of Insurance. All insurance coverage shall be provided at Contractor's sole expense.

ii. Maintenance of Insurance. All insurance coverage shall be maintained in effect with limits not less than those set forth below at all times during the term of this Agreement.

iii. Status and Rating of Insurance Company. All insurance coverage shall be written through insurance companies admitted to do business in California and with a Best's Financial Strength Rating of A- or better, as shown in the on-line version of Best's Rating & Criteria Center.

iv. Restrictive, Limiting, or Exclusionary Endorsements. All insurance coverage shall be provided to Contractor Parties in compliance with the requirements herein and shall contain no endorsements that restrict, limit, or exclude coverage in any manner without the prior express written approval of MTD.

v. Limits of Liability. The limits of liability may be provided by a single policy of insurance or by a combination of primary and umbrella policies, but in no event shall the total limits of liability available for any one occurrence or accident be less than the amount required herein.

vi. Notice of Cancellation, Nonrenewal, or Material Reduction in Coverage. In the event of cancellation, nonrenewal, or material reduction in coverage affecting the certificate holder, thirty (30) days prior written notice shall be given to the certificate holder by certified mail, return receipt requested, except in the event of cancellation for nonpayment, in which event fifteen (15) days prior written notice shall be given. If insurer will not include in its coverage such written notifications, it shall be incumbent upon Contractor to comply with such written notification requirements.

vii. Additional Insured Status. Additional insured status shall be provided in favor of MTD and its officers, employees and agents, including consultants, on all liability insurance required herein except workers' compensation/employer's liability and the certificate of insurance shall reflect same. Such additional insured coverage shall be primary to and shall seek no contribution from all insurance available to MTD, with MTD's insurance being excess, secondary, and noncontributing.

viii. Waiver of Subrogation. All insurance coverage carried by Contractor required herein shall provide a waiver of subrogation in favor of MTD for all loss covered by such insurance, and Contractor waives all rights of action against MTD for such loss.

ix. Primary Liability. All insurance coverage required herein shall be primary to and shall seek no contribution from all insurance available to MTD, with MTD's insurance being excess, secondary, and noncontributing. Where necessary, coverage shall be endorsed to provide such primary liability, and the certificate of insurance shall reflect same.

x. Deductible/Retention. All insurance required for this project shall have a maximum deductible or self-insured retention of $10,000 per policy.

xi. Claims Against Aggregate. MTD must be notified in writing by Contractor at MTD's address set forth herein immediately upon knowledge of possible claims against Contractor that might cause a reduction below seventy-five (75%) of any aggregate limit of any primary policy.

c. Commercial General Liability Insurance.

i. Coverage. Such insurance shall cover liability arising out of all locations and operations of Contractor, including but not limited to liability assumed under this Agreement (including the tort liability of another assumed in a business contract). Defense shall be provided as an additional benefit and not included within the limit of liability.

ii. Form. Commercial General Liability Occurrence form, at least as broad as an unmodified ISO CG 00 01 10 93 or its equivalent.

iii. Amount of Insurance. Coverage shall be provided with limits of not less than:

A. Each Occurrence Limit	$1,000,000
B. General Aggregate Limit	$2,000,000
C. Product-Completed Operations Aggregate Limit	$2,000,000
D. Personal and Advertising Injury Limits	$1,000,000
E. Fire Damage (any one fire)	$50,000
F. Medical Expense (any one person)	$5,000

iv. Required Endorsements.

A. Additional Insured status as required in 18(b)(vii), above.

B. Notice of Cancellation, Nonrenewal, or Material Reduction in Coverage, as required in 18(b)(vi), above.

C. Personal Injury Liability: The personal injury contractual liability exclusion shall be deleted.

D. Primary Liability, as required in 18(b)(ix), above.

E. Waiver of Subrogation, as required in 18(b)(viii), above.

F. Continuing Commercial General Liability Insurance: Contractor shall maintain such insurance in identical coverage, form, and amount, including required endorsements, for at least three (3) years following the date of acceptance by MTD of the last bus built pursuant to this Agreement.

d. Auto Liability Insurance.

i. Coverage. Such insurance shall cover liability arising out of any auto (including owned, hired, and non-owned).

ii. Form. Business Auto Form (at least as broad as an unmodified ISO CA 0001 or its equivalent).

iii. Amount of Insurance. Coverage shall be provided with a limit of not less than $1,000,000, combined single limit.

iv. Required Endorsements.

A. Additional Insured status as required in 18(b)(vii), above.

B. Notice of Cancellation, Nonrenewal, or Material Reduction in Coverage, as required in 18(b)(vi), above.

C. Waiver of Subrogation, as required in 18(b)(viii), above.

e. Workers' Compensation/Employer's Liability Insurance.

i. Coverage. Such insurance shall cover liability arising out of Contractor's employment of workers and anyone for whom Contractor may be liable for workers' compensation claims. Workers' compensation insurance is required, and no "alternative" forms of insurance shall be permitted.

ii. Amount of Insurance. Coverage shall be provided with a limit of not less than:

A. Workers' Compensation: Statutory limits

B. Employer's Liability: $1,000,000 each accident and disease.

iii. Required Endorsements.

A. Notice of Cancellation, Nonrenewal, or Material Reduction in Coverage, as required in 18(b)(vi), above.

B. Waiver of Subrogation, as required in 18(b)(viii), above.

f. Excess Liability Insurance. Not applicable to this Agreement.

g. Professional Errors & Omissions Liability Insurance.

i. Coverage. Such insurance shall cover claims alleged to arise out of the negligent performance of Contractor's professional services.

ii. Amount of Insurance. Coverage shall be provided with a limit of not less than $3,000,000 annual aggregate.

h. Other Insurance. MTD shall have the right, exercisable in its sole judgment at any time by giving prior written notice thereof to Contractor, to require Contractor to increase the limit and coverage amount of any insurance Contractor is required to maintain pursuant to this Agreement to an amount that MTD may, in its sole judgment, deem reasonably sufficient; and purchase other insurance and/or endorsement in such amounts or types as MTD may reasonably require from time to time.

19. Bonding. Not applicable to this Agreement.

20. Termination. For applicable terms, refer to Paragraph 21 (Termination) in *Federal Transit Administration: Contract Provisions* which is attached hereto as Exhibit "A".

21. Liquidated Damages. Not applicable to this Agreement.

22. Infringement of Patents. The Contractor agrees that it will, at its own expense, defend all suits and proceedings instituted against MTD and pay any award of damages assessed against MTD in such suits or proceedings, insofar as the same are based upon any claim that the items, services, work, systems, or any part thereof, or any tool, or process used in or for the Project, constitutes an infringement of any legal United States copyright or patent. MTD agrees that it will give the Contractor prompt notice in writing of the institution of the suit or proceeding and permits the Contractor through its counsel to defend the same and gives the Contractor all information, assistance and authority necessary for the Contractor to do so. In case said items, services, work, systems, or any part thereof, or any tool, or process used in or for the Project, is in such suit held to constitute infringement and use of same is enjoined, the Contractor shall, at its own expense and at its option, either procure for the MTD the right to continue using said items, services, work, systems, or any part thereof, or any tool, or process used in or for the Project, or replace same with non-infringing equipment, or modify it so it becomes non-infringing.

23. Rights in Data. *Definitions*. The term "subject data" used in this clause means recorded information, whether or not copyrighted, that is delivered or specified to be delivered under this Agreement. Subject data includes graphic or pictorial delineation in media such as drawings or photographs; text in specifications or related performance or design-type documents; machine forms such as punched cards, magnetic tape, or computer memory printouts; and information retained in computer memory. Examples include, but are not limited to: computer software (including, but not limited to, source codes), engineering drawings and associated lists, specifications, standards, process sheets, manuals, technical reports, catalog item identifications, and related information. The term "subject data" does not include financial reports, cost analyses, and similar information incidental to contract administration. *MTD Rights*. MTD reserves a royalty-free, non-exclusive and irrevocable license to reproduce, publish, or otherwise use, and to authorize others to use, for MTD purposes, any subject data or copyright. As used in the previous sentence, "for MTD purposes," means use only for the direct purposes of MTD. Without the copyright owner's consent, MTD may not extend its license to any other party. *Public Information*. When MTD awards a contract for experimental, developmental, or research work, it is MTD's general intention to increase transportation knowledge available to the public, rather than to restrict the benefits resulting from the work to participants in that work. Therefore, unless MTD determines otherwise, MTD and the Contractor performing experimental, developmental, or research work required by the contract agrees to permit MTD to make available to the public, either MTD's license in the copyright to any subject data developed in the course of that contract, or a copy of the subject data first produced under the contract for which a copyright has not been obtained. If the experimental, developmental, or research work, which is the subject of the underlying contract, is not completed for any reason whatsoever, all data developed under that contract shall become subject data and shall be delivered as MTD may direct.

24. Indemnification. The Contractor shall, to the extent permitted by law protect, indemnify, defend, and hold MTD and its officers, employees and agents, including consultants, harmless from and against any and all liabilities, damages, claims, demands, liens, encumbrances, judgments, awards, losses, costs, expenses, and suits or actions or proceedings, including reasonable expenses, costs and attorneys' fees incurred by MTD and its officers, employees and agents, including consultants, in the defense, settlement or satisfaction thereof, for any injury, death, loss or damage to persons or property of any kind whatsoever, arising out of, or resulting from, the acts, errors or omissions of the Contractor, including acts, errors or omissions of its officers, employees, servants, agents, subcontractors and suppliers; and upon receipt of notice and if given authority, shall settle at its own expense or undertake at its own expense the defense of any such suit, action or proceeding, including appeals, against the MTD and its officers, employees and agents, including consultants, relating to such injury, death, loss or damage. Each party shall promptly notify the other in writing of the notice or assertion of any claim, demand, lien, encumbrance, judgment, award, suit, action or other proceeding hereunder. The Contractor shall have sole charge and direction of the defense of such suit, action or proceeding. The MTD shall not make any admission which might be materially prejudicial to the Contractor unless the Contractor has failed to take over the conduct of any negotiations or defense within a reasonable time after receipt of the notice and authority above provided. The MTD shall at the request of the Contractor furnish to the Contractor all reasonable assistance that may be necessary for the purpose of defending such suit, action or proceeding, and shall be repaid all reasonable costs incurred in doing so. The MTD shall have the right to be represented therein by advisory counsel of its own selection at its own expense. The obligations of the Contractor under this clause shall not extend to circumstances where the injury, or death, or damages is caused solely by the negligent acts, errors or omissions of the MTD, its officers, employees, agents or consultants, including negligence in the preparation of the Contract documents, or the giving of directions or instructions with respect to the requirements of the Contract by written order.

25. Notice. Notices in connection with this Agreement shall be made in writing and may be delivered either personally, by governmental postal service (regular, certified or registered), by private delivery service, or by email. Receipt shall be deemed to have occurred when actually made to the party or its designated agent. Such notices shall be properly addressed to the intended party as follows:

MTD:
Jerry Estrada, General Manager
Santa Barbara Metropolitan Transit District
550 Olive Street
Santa Barbara, CA 93101
Email: jestrada@sbmtd.gov

CONTRACTOR:
Thomas J. Veale, President
Tristar Risk Management
100 Oceangate, Suite 700
Long Beach, CA 90802
Email: tom.veale@TRISTARgroup.net

26. Attorney Fees and Costs. In the event of a controversy (including, but not limited to arbitration or an criminal or civil filing in a Federal Court or a court of any of the United States) between the parties with respect to the enforcement or interpretation of this Agreement, the prevailing party in such controversy shall be entitled to receive, in addition to such other award as the court may deem appropriate, full reimbursement for its court costs and reasonable attorney fees incurred therein.

27. Negation of Partnership. This Agreement creates a relationship between two independent contractors and does not, nor may it be interpreted to, create the relationship of joint venturers, partners, employee/employer, or any other business relationship.

28. No Assignment. This Agreement is not assignable by either party, and any attempt by either party to assign its obligations hereunder shall be void ab initio at the election of the other party, which election may be made by written notice within ten (10) days of the non-assigning party's receipt of actual knowledge of such attempted assignment. Notwithstanding the foregoing, however, at the election of the other party, the obligations and burdens of a party shall bind and apply to any permitted successor in interest or assignee of the business and/or operations of a party.

29. Partial Invalidity. In the event that any portion of this Agreement or any provision hereof shall be deemed as invalid as contrary to applicable law, the balance of this Agreement shall be enforced according to its term, and that portion found unenforceable shall be interpreted and enforced to the extent that it may be within said applicable laws.

30. Disputes. This Agreement shall be construed and all disputes arising therefrom shall be settled in accordance with the laws of the State of California. Venue for any dispute arising under this Agreement shall be in Santa Barbara, California. Any controversy or claim arising out of or relating to this Agreement shall be resolved by binding arbitration before a single arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") then pertaining (available at www.adr.org), except where those rules conflict with this provision, in which case this provision controls. Any court with jurisdiction shall enforce this clause and enter judgment on any award. The arbitrator shall be selected within twenty business days from commencement of the arbitration from the AAA's National Roster of Arbitrators pursuant to agreement or through selection procedures administered by the AAA. Within 45 days of initiation of arbitration, the Parties shall reach agreement upon and thereafter follow procedures, including reasonable limits on discovery, assuring that the arbitration will be concluded and the award rendered within no more than eight months from selection of the arbitrator or, failing agreement, procedures meeting such time limits will be designed by the AAA and adhered to by the Parties. The arbitration shall be held in Santa Barbara, California and the arbitrator shall apply the substantive law of California, except that the interpretation and enforcement of this arbitration provision shall be governed by the Federal Arbitration Act. Prior to commencement of arbitration, emergency relief is available from any court to avoid irreparable harm. THE ARBITRATOR SHALL NOT AWARD EITHER PARTY PUNITIVE, EXEMPLARY, MULTIPLIED OR CONSEQUENTIAL DAMAGES. Prior to commencement of arbitration, however, the Parties must attempt to mediate their dispute using a professional mediator from AAA, the CPR Institute for Dispute Resolution, or like organization selected by agreement or, absent agreement, through selection procedures administered by the AAA. Within a period of 45 days after the request for mediation, the Parties agree to convene with the mediator, with business representatives present, for at least one session to attempt to resolve the matter. In no event will mediation delay commencement of the arbitration for more than 45 days absent agreement of the Parties or interfere with the availability of emergency relief.

31. Prohibited Interest. The parties hereto covenant and agree that to their knowledge no board member, officer, or employee of MTD, during his/her tenure or for one year thereafter, has any interest, whether contractual, non contractual, financial or otherwise, in this transaction, or in the business of a contracting party other than MTD. If any such interest comes to the knowledge of either party at any time, a full and complete disclosure of all such information will be made in writing to the other parties, even if such interest would not be considered a conflict of interest under Article 4, Chapter 1, Divisions 4 and 4.5, Title I of the Government Code of the State of California.

32. Compliance with Laws and Regulations. Contractor shall warrant that in the performance of work under contract to MTD that they shall comply with all applicable federal, state and local laws and ordinances, and all lawful orders, rules, and regulations thereunder.

33. Audit and Inspection of Records. The Contractor shall agree that all materials supplied and services performed under the Project, facilities used in connection therewith, and records and documentation thereunto appertaining shall be subject to inspection, test, or audit by duly authorized representatives of MTD and the State of California. The Contractor agrees to maintain all required records relating to the Project for at least three years after MTD makes final payment and all other pending matters are closed.

34. Equal Employment Opportunity. For applicable terms, refer to Paragraph 24 (Civil Rights Requirements) in *Federal Transit Administration: Contract Provisions* which is attached hereto as Exhibit "A".

35. Entire Agreement. This Agreement and its attached exhibits constitute the entire agreement between the parties and shall be deemed to supersede and cancel any and all previous representations, understandings, or agreements between MTD and Contractor as to the subject matter hereof. This Agreement may only be amended by an instrument in writing signed by the parties.

36. No Waiver. The failure of either party at any time to require performance by the other party of any provision of this Agreement shall in no way affect that party's right to enforce such provisions, nor shall the waiver by either party of any breach of any provision of this Agreement be taken or held to be a waiver of any further breach of the same provision.

37. Counterparts & Email. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. The parties agree that a scanned and emailed signature may substitute for and have the same legal effect as the original signature.

38. Qualifications. Contractor or Contractor's representative (Contractor) certifies that Contractor is qualified to do business and is in good standing in the State of California, and that Contractor has authority to enter into and perform its obligations under this Agreement, which constitutes a valid and binding obligation of Contractor.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed.

SANTA BARBARA MTD	TRISTAR RISK MANAGEMENT
______________________________	______________________________
Jerry Estrada, General Manager	Thomas J. Veale, President
______________________________	______________________________
Date	Date

FEDERAL TRANSIT ADMINISTRATION

CONTRACT PROVISIONS

Workers' Compensation Third-Party Administration – Tristar Risk Management

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6. ENERGY CONSERVATION REQUIREMENTS

The Contractor agrees to comply with mandatory standards and policies relating to energy efficiency, which are contained in the state energy conservation plan issued in compliance with the Energy Policy and Conservation Act. <u>The Contractor agrees to include the requirements of this section in all subcontracts</u>.

7. CLEAN WATER REQUIREMENTS

The Contractor agrees to comply with all applicable standards, orders or regulations issued pursuant to the Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251 et seq. The Contractor agrees to report each violation to the Purchaser and understands and agrees that the Purchaser will, in turn, report each violation as required to assure notification to FTA and the appropriate EPA Regional Office. <u>The Contractor also agrees to include these requirements in each subcontract exceeding $100,000</u>.

8. BUS TESTING (NOT APPLICABLE TO AGREEMENT)

9. PRE-AWARD & POST-DELIVERY AUDIT REQUIREMENTS (NOT APPLICABLE TO AGREEMENT)

10. LOBBYING

The Contractor certifies, to the best of his or her knowledge and belief, that:

(a) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(b) If any funds other than Federal appropriated funds have been paid or will be paid to any person for making lobbying contacts to an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, or cooperative agreement, the undersigned shall complete and submit Standard Form--LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions [as amended by "Government wide Guidance for New Restrictions on Lobbying," 61 Fed. Reg. 1413 (1/19/96). Note: Language in paragraph (b) herein has been modified in accordance with Section 10 of the Lobbying Disclosure Act of 1995 (P.L. 104-65, to be codified at 2 U.S.C. 1601, et seq.)]

(c) <u>The Contractor shall require that the language of this certification be included in the award documents for all subawards exceeding $100,000 at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly</u>.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by 31, U.S.C. § 1352 (as amended by the Lobbying Disclosure Act of 1995). Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure. [Note: Pursuant to 31 U.S.C. § 1352(c)(1)-(2)(A), any person who makes a prohibited expenditure or fails to file or amend a required certification or disclosure form shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such expenditure or failure.] Contractor certifies or affirms the truthfulness and accuracy of each statement of its certification and disclosure, if any. In addition, Contractor understands and agrees that the provisions of 31 U.S.C. A 3801, et seq., apply to this certification and disclosure.

[Note: The Contractor shall have previously submitted to MTD a separately signed Lobbying Certification containing the above language for itself and any subcontracts exceeding $100,000 as a condition of contract award.]

11. ACCESS TO RECORDS & REPORTS

(a) The Contractor agrees to provide MTD, the FTA Administrator, the Comptroller General of the United States or any of their authorized representatives access to any books, documents, papers and records of the Contractor which are directly pertinent to this contract for the purposes of making audits, examinations, excerpts and transcriptions. Contractor also agrees, pursuant to 49 CFR 633.17 to provide the FTA Administrator or his authorized representatives including any PMO Contractor access to Contractor's records and construction sites pertaining to a major capital project, defined at 49 U.S.C. 5302(a)1, which is receiving federal financial assistance through the programs described at 49 U.S.C. 5307, 5309 or 5311.

(b) If contract is for a capital project or improvement (defined at 49 U.S.C. 5302(a)1) through other than competitive bidding, the Contractor shall make available records related to the contract to MTD, the Secretary of Transportation and the Comptroller General or any authorized officer or employee of any of them for the purposes of conducting an audit and inspection.

(c) The Contractor agrees to permit any of the foregoing parties to reproduce by any means whatsoever or to copy excerpts and transcriptions as reasonably needed.

(d) The Contractor agrees to maintain all books, records, accounts and reports required under this contract for a period of not less than three years after the date of termination or expiration of this contract, except in the event of litigation or settlement of claims arising from the performance of this contract, in which case Contractor agrees to maintain same until MTD, the FTA Administrator, the Comptroller General, or any of their duly authorized representatives, have disposed of all such litigation, appeals, claims or exceptions related thereto. Reference 49 CFR 18.39(i)(11).

12. FEDERAL CHANGES

The Contractor shall at all times comply with all applicable FTA regulations, policies, procedures and directives, including without limitation those listed directly or by reference in the Master Agreement between MTD and FTA, as they may be amended or promulgated from time to time during the term of this contract. Contractor's failure to so comply shall constitute a material breach of this contract.

13. BONDING REQUIREMENTS (NOT APPLICABLE TO AGREEMENT)

14. CLEAN AIR

The Contractor agrees to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act, as amended, 42 U.S.C. §§ 7401 et seq. The Contractor agrees to report each violation to the Purchaser and understands and agrees that the Purchaser will, in turn, report each violation as required to assure notification to FTA and the appropriate EPA Regional Office. <u>The Contractor also agrees to include these requirements in each subcontract exceeding $100,000 financed in whole or in part with Federal assistance provided by FTA.</u>

15. RECYCLED PRODUCTS (NOT APPLICABLE TO AGREEMENT)

16. DAVIS-BACON & COPELAND ANTI-KICKBACK ACTS (NOT APPLICABLE TO AGREEMENT)

17. CONTRACT WORK HOURS & SAFETY STANDARDS ACT (NOT APPLICABLE TO AGREEMENT)

18. [RESERVED]

19. NO GOVERNMENT OBLIGATIONS TO THIRD PARTIES

(a) MTD and Contractor acknowledge and agree that, notwithstanding any concurrence by the Federal Government in or approval of the solicitation or award of the underlying contract, absent the express written consent by the Federal Government, the Federal Government is not a party to this contract and shall not be subject to any obligations or liabilities to MTD, Contractor, or any other party (whether or not a party to that contract) pertaining to any matter resulting from the underlying contract.

(b) The Contractor agrees to include the above clause in each subcontract financed in whole or in part with Federal assistance provided by FTA. It is further agreed that the clause shall not be modified, except to identify the subcontractor who will be subject to its provisions.

20. PROGRAM FRAUD & FALSE OR FRAUDULENT STATEMENTS & RELATED ACTS

a) The Contractor acknowledges that the provisions of the Program Fraud Civil Remedies Act of 1986, as amended, 31 U.S.C. § 3801 et seq. and U.S. DOT regulations, "Program Fraud Civil Remedies," 49 CFR Part 31, apply to its actions pertaining to this Project. Upon execution of the underlying contract, the Contractor certifies or affirms the truthfulness and accuracy of any statement it has made, it makes, it may make, or causes to be made, pertaining to the underlying contract or the FTA assisted project for which this contract work is being performed. In addition to other penalties that may be applicable, the Contractor further acknowledges that if it makes, or causes to be made, a false, fictitious, or fraudulent claim, statement, submission, or certification, the Federal Government reserves the right to impose the penalties of the Program Fraud Civil Remedies Act of 1986 on the Contractor to the extent the Federal Government deems appropriate.

(b) The Contractor also acknowledges that if it makes, or causes to be made, a false, fictitious, or fraudulent claim, statement, submission, or certification to the Federal Government under a contract connected with a project that is financed in whole or in part with Federal assistance originally awarded by FTA under the authority of 49 U.S.C. § 5307, the Government reserves the right to impose the penalties of 18 U.S.C. § 1001 and 49 U.S.C. § 5307(n)(1) on the Contractor, to the extent the Federal Government deems appropriate.

(c) The Contractor agrees to include the above two clauses in each subcontract financed in whole or in part with Federal assistance provided by FTA. It is further agreed that the clauses shall not be modified, except to identify the subcontractor who will be subject to the provisions.

21. TERMINATION

(a) Termination for Convenience: MTD, by written notice, may terminate this contract, in whole or in part, when it is in the Government's interest. If this contract is terminated, MTD shall be liable only for payment under the payment provisions of this contract for services rendered before the effective date of termination.

(b) Termination for Default

(1) If the Contractor fails to perform the services, within the time specified in this contract or any extension or if the Contractor fails to comply with any other provisions of this contract, MTD may terminate this contract for default. MTD shall terminate by delivering to the Contractor a Notice of Termination specifying the nature of default. The Contractor will only be paid the contract price for services performed in accordance with the manner of performance set forth in this contract.

(2) If this contract is terminated while the Contractor has possession of MTD goods, the Contractor shall, upon direction of MTD, protect and preserve the goods until surrendered to MTD or its agent. The Contractor and MTD shall agree on payment for the preservation and protection of goods. Failure to agree on an amount will be resolved under the Dispute clause.

(3) If, after termination for failure to fulfill contract obligations, it is determined that the Contractor was not in default, the rights and obligations of parties shall be the same as if the termination had been issued for the convenience of MTD.

(c) <u>Opportunity to Cure</u>: MTD in its sole discretion may, in the case of a termination for breach or default, allow the Contractor ten (10) days in which to cure the defect. In such case, the notice of termination will state the time period in which cure is permitted and other appropriate conditions. If Contractor fails to remedy to MTD's satisfaction the breach or default of any of the terms, covenants, or conditions of this Contract within ten (10) days after receipt by Contractor of written notice from MTD setting forth the nature of said breach or default, MTD shall have the right to terminate the Contract without any further obligation to Contractor. Any such termination for default shall not in any way operate to preclude MTD from also pursuing all available remedies against Contractor and its sureties for said breach or default.

(d) <u>Waiver of Remedies for any Breach</u>: In the event that MTD elects to waive its remedies for any breach by Contractor of any covenant, term or condition of this Contract, such waiver by MTD shall not limit MTD's remedies for any succeeding breach of that or of any other term, covenant, or condition of this Contract.

22. Government-Wide Debarment & Suspension

This contract is a covered transaction for purposes of 49 CFR Part 29. As such, the Contractor is required to verify that none of the Contractor, its principals, as defined at 49 CFR 29.995, or affiliates, as defined at 49 CFR 29.905, are excluded or disqualified as defined at 49 CFR 29.940 and 29.945. <u>The Contractor is required to comply with 49 CFR 29, Subpart C and must include the requirement to comply with 49 CFR 29, Subpart C in any lower tier covered transaction it enters into</u>. By signing and submitting its bid or proposal, the bidder or proposer certifies as follows: The certification in this clause is a material representation of fact relied upon by MTD. If it is later determined that the bidder or proposer knowingly rendered an erroneous certification, in addition to remedies available to MTD, the Federal Government may pursue available remedies, including but not limited to suspension and/or debarment. The bidder or proposer agrees to comply with the requirements of 49 CFR 29, Subpart C while this offer is valid and throughout the period of any contract that may arise from this offer. <u>The bidder or proposer further agrees to include a provision requiring such compliance in its lower tier covered transactions</u>.

23. Privacy Act

The Contractor agrees to comply with, and assures the compliance of its employees with, the information restrictions and other applicable requirements of the Privacy Act of 1974, 5 U.S.C. § 552a. Among other things, the Contractor agrees to obtain the express consent of the Federal Government before the Contractor or its employees operate a system of records on behalf of the Federal Government. The Contractor understands that the requirements of the Privacy Act, including the civil and criminal penalties for violation of that Act, apply to those individuals involved, and that failure to comply with the terms of the Privacy Act may result in termination of the underlying contract. <u>The Contractor also agrees to include these requirements in each subcontract to administer any system of records on behalf of the Federal Government financed in whole or in part with Federal assistance provided by FTA</u>.

24. Civil Rights Requirements

(a) <u>Nondiscrimination</u>: In accordance with Title VI of the Civil Rights Act, as amended, 42 U.S.C. § 2000d, section 303 of the Age Discrimination Act of 1975, as amended, 42 U.S.C. § 6102, section 202 of the Americans with Disabilities Act of 1990, 42 U.S.C. § 12132, and Federal transit law at 49 U.S.C. § 5332, the Contractor agrees that it will not discriminate against any employee or applicant for employment because of race, color, creed, national origin, sex, age, or disability. In addition, the Contractor agrees to comply with applicable Federal implementing regulations and other implementing requirements FTA may issue.

(b) Equal Employment Opportunity: The following equal employment opportunity requirements apply to the underlying contract:

(1) Race, Color, Creed, National Origin, Sex: In accordance with Title VII of the Civil Rights Act, as amended, 42 U.S.C. § 2000e, and Federal transit laws at 49 U.S.C. § 5332, the Contractor agrees to comply with all applicable equal employment opportunity requirements of U.S. Department of Labor (U.S. DOL) regulations, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor," 41 CFR Parts 60 et seq., (which implement Executive Order No. 11246, "Equal Employment Opportunity," as amended by Executive Order No. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," 42 U.S.C. § 2000e note), and with any applicable Federal statutes, executive orders, regulations, and Federal policies that may in the future affect construction activities undertaken in the course of the Project. The Contractor agrees to take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, creed, national origin, sex, or age. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. In addition, the Contractor agrees to comply with any implementing requirements FTA may issue.

(2) Age: In accordance with section 4 of the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. § § 623 and Federal transit law at 49 U.S.C. § 5332, the Contractor agrees to refrain from discrimination against present and prospective employees for reason of age. In addition, the Contractor agrees to comply with any implementing requirements FTA may issue.

(3) Disabilities: In accordance with section 102 of the Americans with Disabilities Act, as amended, 42 U.S.C. § 12112, the Contractor agrees that it will comply with the requirements of U.S. Equal Employment Opportunity Commission, "Regulations to Implement the Equal Employment Provisions of the Americans with Disabilities Act," 29 CFR Part 1630, pertaining to employment of persons with disabilities. In addition, the Contractor agrees to comply with any implementing requirements FTA may issue.

The Contractor agrees to include these requirements in each subcontract financed in whole or in part with Federal assistance provided by FTA, modified only if necessary to identify the affected parties.

25. Breaches & Dispute Resolution

Paragraph 30 of the *MTD Master Agreement* regarding disputes shall be deemed satisfactory to meet the federal requirements for dispute resolution. The Contractor agrees to include the requirements of said Paragraph 30 in all subcontracts.

26. Patent & Rights in Data (not applicable to Agreement)

27. Transit Employee Protective Agreements (not applicable to Agreement)

28. Disadvantaged Business Enterprise (DBE)

(a) This contract is subject to the requirements of Title 49, Code of Federal Regulations, Part 26, Participation by Disadvantaged Business Enterprises in Department of Transportation Financial Assistance Programs. The national goal for participation of Disadvantaged Business Enterprises (DBE) is 10%. MTD's overall goal for DBE participation is 2.9%. A separate contract goal has not been established for this procurement.

(b) The Contractor shall not discriminate on the basis of race, color, national origin, or sex in the performance of this contract. The Contractor shall carry out applicable requirements of 49 CFR Part 26 in the award and administration of this DOT-assisted contract. Failure by the Contractor to carry out these requirements is a material breach of this contract, which may result in the termination of this contract or such other remedy as MTD deems appropriate. Each subcontract the Contractor signs with a subcontractor must include the assurance in this paragraph (see 49 CFR 26.13(b)).

(c) The successful bidder/offeror will be required to report its DBE participation obtained through race-neutral means throughout the period of performance.

(d) The Contractor is required to pay its subcontractors performing work related to this contract for satisfactory performance of that work no later than 30 days after the Contractor’s receipt of payment for that work from the MTD. In addition, the Contractor may not hold retainage from its subcontractors.

(e) Contractor must promptly notify MTD whenever a DBE subcontractor performing work related to this contract is terminated or fails to complete its work, and must make good faith efforts to engage another DBE subcontractor to perform at least the same amount of work. The Contractor may not terminate any DBE subcontractor and perform that work through its own forces or those of an affiliate without prior written consent of MTD.

29. [RESERVED]

30. INCORPORATION OF FEDERAL TRANSIT ADMINISTRATION (FTA) TERMS

The preceding provisions include, in part, certain Standard Terms and Conditions required by DOT, whether or not expressly set forth in the preceding contract provisions. All contractual provisions required by DOT, as set forth in FTA Circular 4220.1E, are hereby incorporated by reference. Anything to the contrary herein notwithstanding, all FTA mandated terms shall be deemed to control in the event of a conflict with other provisions contained in this Agreement. The Contractor shall not perform any act, fail to perform any act, or refuse to comply with any MTD requests which would cause MTD to be in violation of the FTA terms and conditions. The Contractor agrees to include the requirements of this section in all subcontracts.

31. DRUG & ALCOHOL TESTING (NOT APPLICABLE TO AGREEMENT)

32. INTELLIGENT TRANSPORTATION SYSTEM (ITS) (NOT APPLICABLE TO AGREEMENT)

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
WORKERS' COMPENSATION THIRD-PARTY ADMINISTRATION SERVICES
SCOPE OF SERVICES

I. Claims Administration

Santa Barbara Metropolitan Transit District ("MTD") calls for Third-Party Administration ("TPA") Services to manage workers' compensation claims effectively by carrying out the procedures required for a successful program. The TPA shall be entrusted to manage both new claims and assume any "tail claims" from an existing administrator. This includes, at minimum, TPA meeting the following performance objectives:

A. Compliance – TPA shall comply with all laws, rules, regulations and labor codes governing the administrator of Workers' Compensation as required by State of California and advise MTD of any legislative or regulatory changes when proposed and when enacted. In the event of any conflict between any laws, rules, regulations and MTD's *Scope of Services* objectives, agreements, terms and conditions, TPA shall comply with the more stringent requirement. Any changes in regulations that require the development of new procedures or special instructions shall be implemented at TPA's expense.

B. Risk Management Information System – TPA shall facilitate all workers' compensation claims through a comprehensive Claims Management Information System or Risk Management Information System (RMIS) data warehouse that MTD is provided training and continued secure, online access to. The RMIS shall support the State mandated Electronic Data Interchange (EDI) and provide transfer interface compatibility. TPA shall be responsible for the cost and execution of the conversion and/or establishment and continued access by MTD to the RMIS and files, including all documents and images from the previous TPA and shall assume responsibility for the storage of files.

   For each claim file accessed through the RMIS portal, a duplicative physical file shall also be made available to MTD as needed for MTD representatives, claims auditors and agents.

C. Staffing – TPA shall designate a point of contact for MTD to ensure that the workers' compensation program is carried out with the best practices and procedures. Only experienced, senior adjusters with a minimum three years' experience shall be assigned to indemnity cases. Adjuster Caseloads shall be no more than one hundred twenty (120) open indemnity claims; one assistant per adjuster.

D. Forms – TPA shall provide all the forms necessary for the processing of benefits or claims information and make available, and forms fillable, on paper and online.

E. Claim Workflow – TPA shall notify MTD immediately upon notice of an injured worker's hospitalization as a result of the work injury regardless of the date of injury, and within twenty-four (24) hours of receipt of notice of any claim. Claim files and an established diary system shall be accessible to MTD through the RMIS and reflect a strategy and Plan of Action (POA) that is current, concise and date-driven indicative to a prompt and fair resolution.
   - Within 24 hours – Three point contact shall occur (injured worker, medical facility and MTD). Where possible, the *Employer's Report of Occupational Injury or Illness* (Form 5020) shall be completed by the employee to acknowledge their account of the accident, injury or illness. Claim notifications should include the adjuster's name, phone number, claim number and a brief description of the loss.
   - Within 2 days – Claim files and a diary shall be created in the RMIS following receipt of a Form 5020 or TPA has knowledge of a potential claim and obtains information from MTD necessary

to create the file, whichever occurs first. At the time of set up, and on an as needed basis thereafter, all claims shall be reported to the Index Bureau.

- Within 14 days – An initial POA and an initial compensability decision must be clearly documented.
- Every 30 days – All active claim files shall be reviewed.
- Every 45 days – Adjusters shall update their file POA for active indemnity files.
- Within 90 days – The diary shall be reviewed to determine if it can be closed or will need to be reassigned to an Indemnity Adjuster. The final compensability decision is to be reviewed with MTD prior to notification.
- Every 90 days – Independent of the actual file handler, a Supervisory Review shall be performed on active indemnity files. Adjusters shall update their file POA for all future medical files.
- Every 180 days – All claims that have settled but are open for the employee's future medical care shall be reviewed by a Supervisor.

F. Employer Contact – MTD shall serve as a valuable resource to the TPA in the adjudication MTD's claims. MTD shall monitor every claim via online access to adjuster notes and diaries with the intent to provide ready access to any information needed by the claim handler such as job descriptions, information on questionable claims, etc. MTD Risk Management Staff shall be accessible and responsive to the TPA for assistance. For example, if an Employee's Claim Form for Workers' Compensation Benefits (Form DWC-1) has not been received by TPA within two (2) days after receiving the Form 5020, the examiner can contact MTD to ensure that the Form DWC-1 was given to the employee within one (1) day of knowledge of the injury. Additional TPA obligations include:

- TPA shall reply to all inquiries made by MTD on the same day, but no later than one (1) day.
- TPA shall be available, at its sole cost and expense, for on-site visits to MTD's location for an annual audit and review of program, and additional times upon request.
- TPA is subject to regular routine reporting weekly, monthly, quarterly, and annually to MTD as detailed throughout the *Scope of Services*, and summarized in Appendix A.
- TPA shall avoid all conflicts of interest or appearance of conflicts of interest and shall disclose to MTD in writing any such compensation received from any other organization for services related to performance of services described in this document.

G. Employee Contact – TPA shall develop, for review by MTD, materials which will provide information and guidance to MTD employees regarding workers' compensation and the self-insurance program. TPA shall assist injured employees (and meet with, as required) in resolving problems that arise from injury or illness claims. All employee contact shall be documented in the RMIS, and copies of all correspondence made available to MTD.

- In all non-litigated, lost time cases, where the employee has not returned to work, a telephone or personal contact shall be established with the injured employee within one (1) day of receipt of notice of claim. Such contact shall continue as often as necessary, but at least monthly.
- Return phone calls to employees shall be accomplished within one (1) day.
- All correspondence from employees shall be responded to within five (5) days of receipt.

H. Customer Service – At all times TPA shall provide exceptional customer service. The TPA shall document and respond to all complaints received from injured workers, defense counsel, and/or Risk Management and bring about resolution of such within two (2) days. MTD shall be notified of all complaints received, the resolution, and provided documentation of follow-up with employee.

I. Reserves – Reserves shall be established based upon the ultimate probable cost of each claim and clearly identified and separated for Medical, Indemnity, and Expenses. Reserve increases of twenty-five thousand dollars ($25,000) or more on any one claim must be communicated with MTD and approved prior to increase.

All reserve categories shall be reviewed on a regular basis but not less than at least every ninety (90) days and at end of fiscal year (June 30). For all open claims reserved at ten thousand dollars ($10,000) and above, an initial status report shall be provided and then every ninety (90) days thereafter for the life of the file. Reviews shall include a detailed reserve worksheet with validation or within an extension of the Adjuster's POA update. Status Reports shall include a brief description of the loss, medical incurred, future medical anticipated, reserve analysis and plan for resolution of the claim.

J. Medical Administration – TPA shall provide access to a medical provider network for the Santa Barbara area that shall be sufficient to meet the criteria of current labor codes and State regulations. Absent a medical provider network in place, TPA shall select a panel of general practitioners, specialists, hospitals, and emergency treatment facilities to which injured employees should be referred, as approved by MTD. The TPA shall regularly review and update the panel for effectiveness.

TPA shall arrange medical evaluations when needed, reasonable, and/or requested. After the initial three point contact, TPA shall maintain contact with treating physicians to ensure employees receive proper medical treatment, reports are received in a timely manner, and employees returned to full or modified employment at the earliest possible date. On an as-needed basis, TPA shall provide utilization review and/or professional managed care services, at MTD's additional expense, provided MTD's approval is obtained prior to the provision of such service.

K. Medical Payments – TPA shall ensure that medical bills are reduced to resource-based relative value scale (RBRVS) and recommended rates, fees and schedules as adopted by the Administrative Director of the Division of Workers' Compensation and WCIRB. Medical bills shall be matched to the file, reviewed for correctness, approved for payment, and paid within sixty (60) days of receipt. The use of a service contractor for medical bill review at TPA expense is acceptable to determine accuracy, reasonableness and compliance with the fee schedule. If all or part of the bill is being disputed, TPA shall notify the medical provider, on the appropriate form letter within thirty (30) days.

L. Compensability – The compensability determination (accept claim, deny claim, or delay pending the results of additional investigation) and the reasons for such determination shall be reviewed with MTD and documented. MTD retains authority to delay or deny a claim.

M. Provision of Benefits – TPA shall compute and pay temporary disability benefits to injured employees based upon earnings information and authorized disability periods. TPA shall review, compute, and pay all informal ratings, death benefits, findings and awards, life pensions, or compromise and release settlements.

All such benefits shall be paid by the TPA from an MTD established bank Claim Payment Account funded by MTD. Once each week, TPA shall provide MTD with a detailed accounting of all workers' compensation benefits and allocated loss expenses paid from the account. The detailed accounting shall include the date and check number of all benefit and allocated loss payments and shall also include appropriate supporting documentation for allocated loss expense payments. A weekly check register summary shall be provided.

N. Indemnity Payments – The initial indemnity payment or voucher shall be issued and mailed to the injured employee together with a properly completed and correct DWC Form within fourteen (14) days of the first day of disability. All indemnity payments or vouchers subsequent to the first payment shall be verified, except for obvious long-term disability, and issued in compliance with labor codes and State regulations. TPA shall consistently document in the RMIS all updates of active Indemnity benefit disbursements.

Any late payments must include the self-imposed 10% penalty in accordance with labor codes and State regulations at the TPA's cost unless late payment was due to the fault of MTD. If penalties are assessed, MTD shall be advised of the reason and of the TPA's plans for payment of such penalty within five (5) days of assessment.

O. Transportation Expense – Transportation reimbursement shall be mailed within five (5) days of the receipt of the claim for reimbursement. When required by law, advance travel expense payments shall be mailed to the injured employee ten (10) days prior to the anticipated date of travel.

P. Return to Work – TPA shall provide assistance to MTD in establishing a modified duty/light duty program which is appropriate for injured employees while recovering and prior to their return to regular duties.
- TPA shall consult frequently with MTD regarding best practices and strategies for injured employees that work under the Collective Bargaining Agreement (CBA) with International Brotherhood of Teamsters Union – Local 186.
- TPA shall consult frequently with MTD in those cases where the injury residuals might involve permanent work restrictions and/or retirement potential.
- After each exam, the adjuster shall alert MTD and promptly document in the RMIS of any updated work restrictions. MTD shall be contacted as work restrictions change to confirm if modified duty/light duty is available or can be extended Documentation should reflect timeliness and proactive pursuit of updated work restrictions.

Q. Permanent Disability – TPA shall assist injured employees in completing the necessary forms to obtain a permanent disability rating. TPA shall determine the nature and extent of permanent disability and arrange for an informal disability rating whenever possible to avoid Workers' Compensation Appeals Board litigation.

R. Investigation – TPA shall subscribe to the Index Bureau. The examiner shall request a report from the Index Bureau on all new indemnity claims. Subsequent requests should be made every six (6) months thereafter on all active indemnity claims. Information received back from the Index Bureau hits should be followed up on promptly and MTD shall be alerted regarding any claims that is identified as questionable and/or material to potential litigation.

An AOE/COE (Arising Out of Employment / Course of Employment) investigation shall be initiated within three (3) days of the decision to delay. MTD retains authority on the initiating any outside investigation and/or surveillance. MTD shall be kept informed on the scope and results of all investigations, and all activities shall be clearly documented in the RMIS claim file.

S. Litigated Cases – MTD reserves the right to select or change defense counsel. TPA shall cooperate with MTD legal counsel in all matters defending MTD in all matters pertaining to any aspect of workers' compensation claims from file creation and review through trial. When defense counsel is not necessary, TPA shall work closely with the applicant's attorney in informal disposition of litigated cases.

All assignments to outside counsel shall be done with MTD's authorization and consent. In conjunction with MTD, the TPA shall monitor outside counsel's progress. All preparation for a trial shall involve MTD so that all material evidence and witnesses are utilized to obtain a favorable result for the defense. The TPA supervisor or the examiner shall attend in person or be available by telephone as required at Workers' Compensation Appeals Board hearings, rehabilitation hearings, meetings with defense counsel, and meetings with MTD staff, departments, and employee groups as requested by MTD. It shall be at MTD's discretion if petitions for reconsideration, removal, disqualification and answers will be directed through DWC's Oxnard-Workers' Compensation Appeals Board or Santa Barbara-Workers' Compensation Appeals Board Satellite Office.

T. <u>Settlements</u> – TPA shall obtain MTD's authorization prior to all settlement or stipulations. All requests for settlement require authorization by MTD's Board of Directors via a detailed case analysis form (see Appendix B).

U. <u>Subrogation</u> – In all cases where a third party is responsible for the injury to the employee, the TPA shall pursue subrogation (unless instructed otherwise by MTD at the time of notification).

- When subrogation is to be pursued, the third party shall be contacted within ten (10) days with notification of MTD's right to subrogation and the recovery of certain claim expenses.
- If the third party is a governmental entity, a claim shall be filed with the governing board within six (6) months of the injury or notice of injury.
- Periodic contact shall be made with the responsible party and/or insurer to provide notification of the amount of the estimated recovery to which MTD will be entitled.

Whenever practical, the TPA should take advantage of any settlement in a civil action by attempting to settle the workers' compensation claim by means of a third party compromise and release. If such attempt does not succeed, then every effort should be made through the WCAB to offset claim expenses through a credit against the proceeds from the injured worker's civil action. If the injured worker brings a civil action against the party responsible for the injury, the TPA shall consult with MTD about the value of the subrogation claim and other considerations. Upon receipt of MTD's authorization, subrogation counsel shall be assigned to file a Lien or a Complaint in Intervention in the civil action.

V. <u>Vocational Rehabilitation</u> – When Qualified Injured Worker/Non-Qualified Injured Worker status is determined, TPA shall advise the injured worker of his/her rehabilitation benefits within ten (10) days of knowledge of medical eligibility. TPA shall control rehabilitation costs, and secure the prompt conclusion of vocational rehabilitation benefits.

W. <u>Claim Reconciliation</u> – All open claim files shall be reconciled: any time there is a change from one benefit to another (e.g., from temporary disability to permanent disability), when ten indemnity checks have been issued, or at least annually. Proof of the reconciliation should remain in the claim file. MTD has the right to audit at any time with three (3) days' notice to TPA.

X. <u>Excess Insurance</u> – Cases that have the potential to exceed MTD's self-insured retention shall be reported in accordance with the reporting criteria established by the California Public Entity Insurance Authority (CPEIA) and any other excess insurance policies. All cases, which meet the established reporting criteria, are to be reported to MTD and MTD's excess carrier within ten (10) days of the day on which it is known the criterion is met. MTD may share claim file information and reports from the RMIS or provided by TPA with MTD's excess carrier or other designated representatives in the management of workers' compensation.

Y. Case Closure – TPA shall close all claims on which all medical and compensation benefits have been provided within a reasonable amount of time.

- Claim files shall never be allowed to go without examiner attention for a period of time longer than three (3) months.
- A supervisor shall have conducted regular reviews of all open indemnity claims with reserves in excess of fifty thousand dollars ($50,000) and all problem or complex claims.
- Medical only cases must be closed within sixty (60) days from the date the letter went to employee indicating there is no permanent disability. All "Medical-Only" to "Indemnity" changes will need to be approved by MTD.
- Future medical claims shall remain open after the last payment of benefit per statuary requirements.

Payments on awards, computations, or compromise and release agreements shall be issued within ten (10) days following receipt of the appropriate document.

Z. Claims Reporting – TPA shall maintain all loss information and assist in the preparation of all reports and databases, which are now or will be required by the State of California and any other government agencies with respect to self-insurance programs.

The loss run shall be issued by the second (2nd) day of the month following the closing date. Monthly loss data shall be complete to support State reporting requirements, OSHA Log 300 reporting and for managerial, loss control, actuarial or financial purposes. Any corrections requested to the loss run shall be made within the month.

TPA shall support MTD in all MTD-scheduled audits and quarterly analysis, and provide reports at no additional cost to MTD, including reports on: Lag Time; Claims (frequency and severity) by Occupation; Occupation Loss Analysis by "Cause of Loss"; Top Five by Position Pie Charts; Claims (frequency and severity) "Cause of Loss"; and "Cause of Loss" Loss Analysis. Other loss reports may be required periodically. Example ad hoc reports include: Body Part, Frequency, Cause, and Lag Time.

End of Scope of Services Text (Also See Appendices A-B Attached)

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

WORKERS' COMPENSATION THIRD-PARTY ADMINISTRATION SERVICES

APPENDIX A

Reporting—The following communication time table is a guide for MTD's expected responsiveness for managing a successful workers' compensation program. It is not exclusive to all communicative action, but highlights the key actions.

FREQUENCY	REPORT/CONTACT
ANNUALLY	On-site visit for claims audit and review of program
QUARTERLY	Review Reserve Categories Status Report on all open claims reserved at $10,000 and above. Claims Analysis (lag time; claims: cause, occupation, frequency and severity) Ad-Hoc Reports
MONTHLY	Loss Run Reports
WEEKLY	Accounting of Benefit Disbursements Check Register of Claim Payment Account
IMMEDIATELY	New claim file opened Return phone call/e-mail to MTD Reserve increases $25,000 on any claim Final Compensability Decision Notice of Claim Status Change (RTW, MO to Indemnity, etc.) Notice of Litigation and Settlement Notice to pursue Subrogation

CLAIM WORKFLOW	
Within 24 hours	3-point Contact Claim Notification, Form 5020 completed
Within 2 Days	Claim File Open, Initiate a diary
Within 14 Days	Claim POA created, Initial compensation determination
Every 30 Days	Claim file reviewed (Claim Examiner), Contact active, lost-time employees
Every 45 Days	Claim file reviewed (Adjuster)
Within 90 Days	Claim reviewed to be closed or reassigned; Final compensability determined
Every 90 Days	Supervisor review of all Indemnity Claims and Claims over $50,000
Every 180 Days	Supervisor review of future medical care files
INVOICES	
Within 60 Days	Medical Payments Reviewed and Paid, or disputed
DISABILITY	
Within 14 Days	Initial Indemnity Payment
VOCATIONAL REHABILITATION	
Within 10 Days	Advise Qualified Injured Worker of benefits

CLAIM WORKFLOW (CONTINUED)	
REIMBURSEMENTS	
Within 5 Days	Transportation Reimbursement
INVESTIGATIONS	
Day 1	Initial report to the Index Bureau
Every 6 Months	Subsequent reports to Index Bureau on active Indemnity Claims
DECISION TO DELAY	
Within 3 Days	Initiate AOE/COE investigation
SUBROGATION	
Within 10 Days	Third Party Contact
EXCESS INSURANCE	
Within 10 Days	Report cases with potential to exceed self-insurance retention
CLAIM SETTLED	
Within 10 Days	Payment Disbursement
Every 90 Days	if applicable, Adjuster review claims open for future medical care
Every 180 Days	if applicable, Supervisor review claims open for future medical care

APPENDIX B

Request for Workers Compensation Claim Settlement - Template

This settlement proposal is provided and supported by:

TBD (TPA Claims Manager)
TBD (MTD's appointed attorney)
Rafael Cortez (MTD's Risk Administrator)

Date Prepared: ☐

Approval Needed By (Date): ☐

Please fill in the following:

Please consider a total settlement amount of $☐

This settlement amount would include $☐ of new money

Claimant Name: ☐

Claim Number: ☐

Employee status:

☐ No longer employed by Santa Barbra MTD

Date of termination: ☐
Reason for termination: ☐

☐ Still employed by Santa Barbara MTD

Settlement Type:

☐ Compromise and Release (C&R); Full & Final ☐ With Resignation ☐ Without Resignation

☐ Stipulated Award ☐ Indemnity only ☐ Other (explain): ☐

Please input the financial data into the table below showing a good business case for settling the claim.

Cost component	Current Reserves (Incurred)	Current Paid Totals	Outcome if settlement is offered and accepted now. ($ - New Money)	Possible outcome if claim is not settled now; Inclusive of Paids.
Indemnity	$	$	$	$
Medical / Medicare Set Aside	$	$	$	$
Expense (Other (legal, admin)	$	$	$	$
Total	$	$	$ This total must match settlement amount requested	$

CAUSAL RELATION:

What injury occurred to the employee?

How did the injury occur?

Where did the injury occur?

Was this claim controverted? ☐ Yes ☐ No If Yes, was it a ☐ Full Denial ☐ Partial Denial

Describe why the claim was questioned and the process by which the denial was sustained or overturned:

Does the employee have other WC claims (past or present) while working with MTD? ☐ Yes ☐ No

If yes, describe those claims:

INVESTIGATION:

Has there been surveillance conducted ☐ Yes ☐ No
If yes, what was the result?

If no, why was it not conducted?

MEDICAL OVERVIEW:
Indicate the current medical status by clicking the appropriate box below:
☐ Continuing to treat ☐ Maintenance visits ☐ Currently not treating (at MMI or P&S)

What was the initial diagnosis and treatment of the claimant?

What is the current diagnosis and treatment of the claimant?

What is the ongoing treatment plan?

Indicate Future Medical Provision(s) below:
Estimated yearly cost:
Life Expectancy:
Total Exposure: (Yearly average x Life Expectancy)

Explain key driver(s) of medical:

Medicare eligibility: ☐ Yes ☐ No

MSA allocation (if applicable):

INDEMNITY OVERVIEW:
Was there lost time from work? ☐ Yes ☐ No

Temporary Disability (TD) -
Period:
Rate per week:
Total Amount Paid:

Additional Exposure:

Indicated any other temporary disability exposure

Future ability to work:
Please provide status of any permanent work restrictions

Describe any scenarios where we are responsible for job training, or other labor market information. Provide State specific information, i.e. California – Supplemental Job Displacement Voucher (SJDV AKA Vocational Rehabilitation).

Permanent Disability (PD) (*do not include string rating*):

Rate per week:

Total Paid:

PD Rating: based on treating physician report, med-legal or the MMI findings %

Body Part 1: %

Body Part 2: %

Combined PD: % = $

Estimated New Money owed: $

LIEN EXPOSURE: $
List any and all outstanding or resolved lien exposure with current status:

SETTLEMENT PROPOSAL:

PD:	**$**	**or $**	**new money**
Future Medical Care:	**$**	**or $**	**new money**
Voucher:	**$**		
Other Exposure:	**$**		
Subrogation/3rd Party Credits/Contribution	**$**		
Total Settlement Proposal:	**$**	**or $**	**new money**

Please delineate any potential off set recovery (i.e. subrogation) below.

Offsets:

CURRENT SETTLEMENT STRATEGY:

Describe any other information/relevant facts that support the settlement request rationale and the business case to assist in settlement approval. Please consider the following to support your settlement recommendations.

- What is the recommendation and strategy to move forward with settlement? What settlement discussions if any have occurred?
- Does it makes sense to consider a C&R or Stipulated Agreement and why?
- Describe any other pertinent information and rationale to support the settlement request.

- Indicate settlement demand from Applicant Attorney, if known/received. $
- Describe a realistic scenario if the case goes to Trial/Judge's Decision. What is your estimated % of prevailing at trial?

Possible Outcome if Claim is Not Settled Now:

Describe a realistic scenario should settlement not be reached such as proceeding to Trial or further discovery.

Describe the current litigation concerns - why not settling the claim may drive up the legal costs.

<u>Note:</u> Please ensure the applicant attorney is in agreement with the projected settlement proposal. If not, this may lessen the opportunity to further obtain a settlement agreement with MTD's management.

Response to Request for Proposal

Workers' Compensation Third-Party Administration

Presented To:

Valerie White
Purchasing Agent
Santa Barbara Metropolitan Transit District
550 Olive Street, Santa Barbara, CA 93101
(805) 963-3364, extension 244
vwhite@sbmtd.gov

Presented By:

Adrian Garcia
Director, Sales and Client Solutions
Office: 916-631-0415 Ext. 3496
Fax: 916-852-5390
Mobile: 916-350-1659
Adrian.Garcia@TRISTARgroup.net

transforming risk into opportunity®

October 8, 2020

Valerie White, Purchasing Agent
Santa Barbara Metropolitan Transit District
550 Olive Street, Santa Barbara, CA 93101
(805) 963-3364, extension 244
vwhite@sbmtd.gov

TRISTAR®

RE: Response to Request for Proposal
Workers' Compensation Third-Party Administration
Deadline: Friday, October 9, 2020 at 10:00 AM

Dear Ms. White:

Thank you for the opportunity to submit this proposal to serve as Third Party Administrator for Santa Barbara Metropolitan Transit District (MTD). TRISTAR Risk Management, the proposer, is a member company of TRISTAR Insurance Group (TRISTAR). TRISTAR provides claims administration service and managed care solutions to governmental entities and corporate organizations across the United States.

We hope to establish a successful partnership with MTD to ensure prompt, fair, and equitable claims evaluation, administration, and settlement. TRISTAR provides a professional claims administration program personalized to meet and exceed the needs and vision of MTD. We manage all claims with merit promptly and efficiently and resist those claims or services that are not compensable.

TRISTAR has been handling public entity workers' compensation claims administration for more than thirty years. Public entities comprise approximately half of TRISTAR's clients. These entities have ranged from small school districts to cities and states. They include public hospitals, transportation systems, university systems, etc. TRISTAR has the experience and staff to handle claims in all states.

Factors that differentiate TRISTAR in the claims administration industry include our internal audit review, customized program flexibility, cost containment programs, electronic data exchanges, paperless and imaged technological environment, client training programs, provider E-Billing initiatives, and longevity in the market. Overall, TRISTAR seeks to deliver world-class service and provide superior economic outcomes for its clients.

We are a sponsor for public entity professional organizations locally, regionally, and nationally. We invite and encourage our public entity clients to participate in these meetings and events. We recognize that our services must be provided on a fair and cost-effective basis and believe that we can do this better than anyone in the industry.

TRISTAR has reviewed the above referenced RFP, all referenced addendums and amendments, minimum requirements, and scope of services or work. Based on this review, unless otherwise specified in this proposal, TRISTAR believes that we can provide all services as requested and meet all conditions specified.

TRISTAR is interested and willing to enter into a contract with MTD to carry out the TPA services as described in the attached Scope of Services. TRISTAR is willing to accept the contract terms and conditions included in the MTD Master Agreement and the Federal Transit Administration Contract Provisions. TRISTAR possess the ability and willingness to obtain insurance meeting the requirements indicated in paragraph 18 of the Master Agreement. TRISTAR is a recognized claims administrator of self-insured workers' compensation programs, licensed to do such business in the state of California. TRISTAR has conducted 30 years of TPA services with California workers' compensation claims. TRISTAR possess sufficient experienced, state-certified claim adjusters and other resources to perform TPA services to MTD.

TRISTAR looks forward to presenting our claims handling solutions for MTD's risk management programs, now and well into the future.

Sincerely,

Thomas J. Veale, President

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TAB B

EXECUTIVE SUMMARY

Executive Summary

Founded in 1987, TRISTAR is the largest privately held third party administrator in the nation. TRISTAR provides property and casualty, absence management and employee benefit claims administration, and managed care services, for self-insured organizations and insured organizations. We generate nearly $100 million in revenue, and employ over 650 professionals throughout the country. Headquartered in Long Beach, CA, we provide services from approximately 30 locations throughout the country. Four divisions provide a wide range of integrated or unbundled risk management and insurance services to our customers.

TRISTAR RISK MANAGEMENT provides property and casualty third party claim administration services and risk control for self-insured employers and insured policyholders. Our core services include claims administration of workers' compensation, automobile, construction defect, crime and fidelity, employment-related practices liability, general and professional liability, product liability, inland marine management protection, law enforcement, medical-professional liability, package policies, property, and specialty risks unique to our clientele.

We serve over 400 self-insured and thousands of insured policyholders including public agencies, private corporations, program managers, captives, pools, insurance carriers, reinsurers, brokers and more. Our government client base includes a specialty niche in public entity consisting of K-12 school districts, cities, counties, higher education, firefighters, healthcare organizations, law enforcement, state agencies, transit, and utilities. Our private industry customers include retail, convenience, grocery, energy, construction, hospitality and food services, manufacturing, transportation, real estate and more.

TRISTAR MANAGED CARE provides nurse case management, medical bill review service, and access to local, regional and national preferred provider organization (PPO) networks, including pharmacy, radiology, durable medical equipment, physical therapy, transportation, translation, and implantable device ancillary cost containment programs including a 24/7 call center for reporting injuries. Due to the large volume of claims we manage, TRISTAR commands the highest quality of managed care programs including the largest medical bill and pharmacy reductions both regionally and nationally.

TRISTAR provides managed care services nationally and our highly credentialed and experienced nurses provide a variety of case management solutions to meet our clients' needs in workers' compensation, group health and disability management. Services include nurse triage, early intervention, utilization review, telephonic and field case management, return to work, treatment protocols, and customized wellness programs. Our case management includes managing to nationally recognized treatment guidelines, evidenced based medicine, and predictive return-to-work modeling. Integrated case management services partnered with effective cost containment solutions achieve an optimal medical outcome and appropriately return or transition the patient back to work.

TRISTAR BENEFIT ADMINISTRATORS provides third party administrator services for self-insured employers and insured policyholders including claims administration of group health benefits. TRISTAR provides personalized and comprehensive benefit plan services for self-funded and insured plans including health reimbursement arrangement (HRA) plan administration, flexible spending account (FSA) plan administration, dental plan

Executive Summary

administration (DPA), short-term and long-term disability (STD/LTD), Family and Medical Leave Act (FMLA), and COBRA/HIPAA plan administration for over 275 companies.

TRISTAR provides the latest service trends in employer and employee service administration including Leave of Absence and Disability Claims Management. TRISTAR develops, customizes, and manages absence and disability benefit programs for employers to control absences and costs while caring for their employees. TRISTAR is an expert in managing FMLA, short-term and long-term disability in all jurisdictions.

ASPEN RISK MANAGEMENT GROUP provides safety consulting, coaching and training delivering loss control surveys, risk management analysis, ergonomic studies, onsite workplace safety evaluations, and various educational training and seminars. Amongst their many core competencies, Aspen also provides remote ergonomic assessments (for both WC claims, and direct for company employees) through our sister company, ERGOhealthy.

MISSION STATEMENT. Our mission is to provide the highest quality claims management services to our clients. We are committed to a long-term investment in the continual improvement of our products to ensure the best value for our clients and a strong, secure, and growing organization for our employees, shareholders, and business partners.

OUR VISION. Our vision is to become the country's most respected provider of claims management services.

EXPERTISE FOR PUBLIC ENTITIES. TRISTAR has 30 years of experience providing third party administrator services to public entities. Today's environment calls for innovative and proactive claims cost management programs. TRISTAR continues to be the leader in both of these areas. We believe that we are uniquely qualified to provide a fully integrated approach to managing MTD's program costs.

TRANSFORMING RISK INTO OPPORTUNITY. Delivering loss cost savings creates new opportunities for our clients: whether they choose to drop savings to their

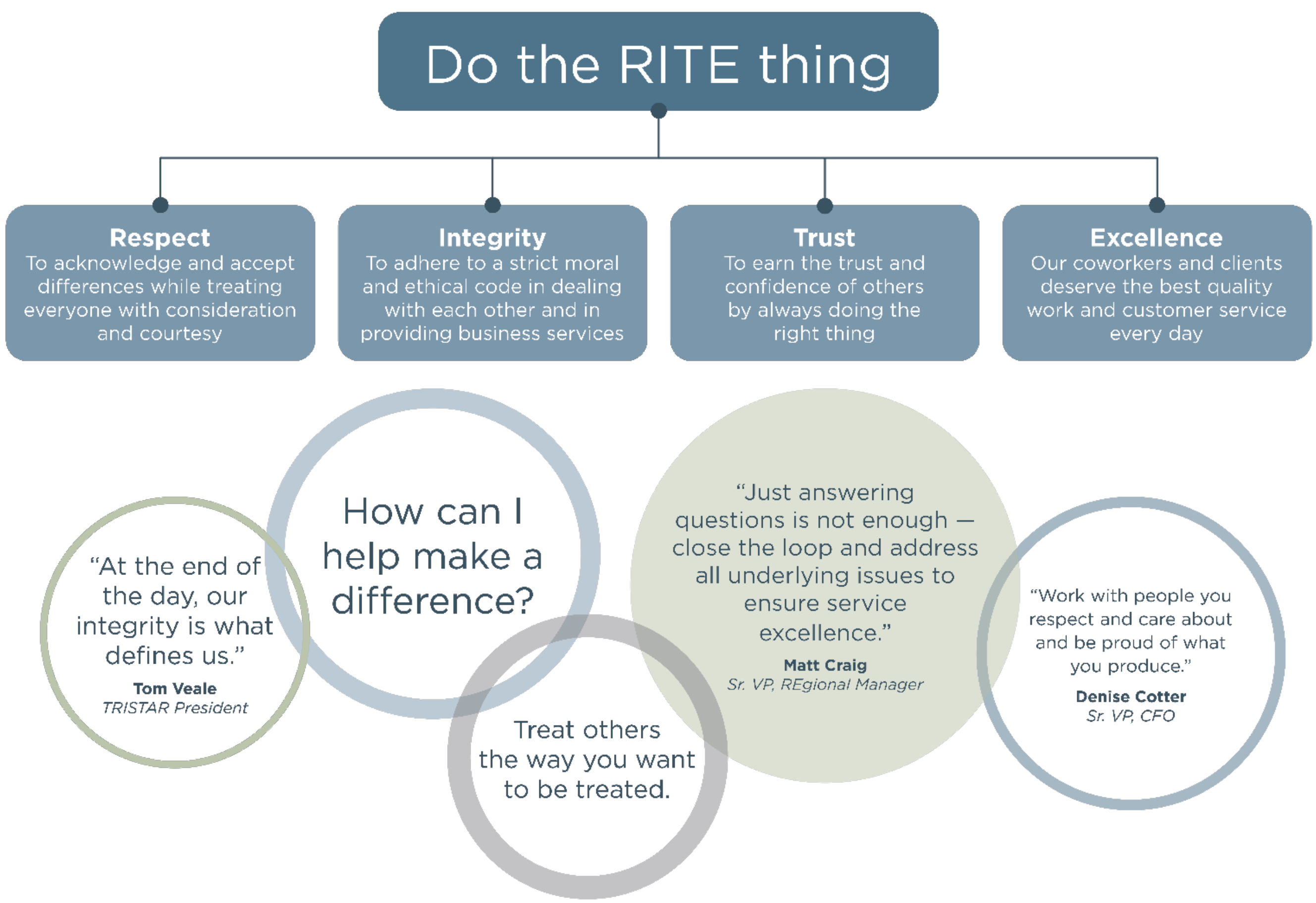
bottom line, or reinvest them. TRISTAR collaborates with our clients to develop claim management programs that are tailored to deliver optimal outcomes for their unique operations and exposures. We offer a national team of experienced technical experts who will help MTD transform their risks into new opportunities.

ENGAGED, ACCOUNTABLE, ACCESSIBLE. TRISTAR offers MTD a designated of adjusters based in our Signal Hill office. We consolidate claims with as few adjusters as possible (assuring all have the appropriate state licensures and experience), to build critical volume and knowledge of your program with your designated team. We will also assign a designated Account Manager to MTD.

TRISTAR CONNECT (RMIS). Our Client Portal, TRISTAR Connect, provides important, relevant information, accessible from any internet-connected device through Android and Apple compatible mobile apps. Our Dashboard provides key information in easy-to-digest visual format, such as First Notice of Loss reporting lag time, trial and hearing calendars, injury and location trending, litigation trending, access to all claimant files and more. It also provides a myriad of standard and customizable report options. The system includes over 80 report templates in key areas such as Loss Prevention, Loss Triangles, Claim Log, Finance, and many others.

TRISTAR'S KEY DIFFERENTIATORS

- TRISTAR is the largest independent privately held third party administrator (TPA) in the nation.
- We do not experience the extreme financial pressures faced by publicly traded or venture capital/private equity-owned firms. We are empowered to make long-term investments in our client relationships and internal resources.
- We hire and retain knowledgeable and skilled professionals, adhering to the "RITE" principles
- We believe flexibility, customization, and a collaboratively designed program will transform the risks that our clients face into the best outcomes for all.
- Our professional team's dedication to our core principles is the reason that we achieve:
  - 97% average client audit scores
  - 98% client retention
  - We are committed to continuous improvement in the quality of our services. This includes a dedicated Quality Assurance Department who ensures adherence to State, TRISTAR and Client policies and procedures and provides ongoing training to our staff and clients.
  - We offer an empowered and responsible Account Manager.
  - Whenever possible, we integrate managed care/cost containment programs including bill review, PPO network access, and medical case management into our client's overall claims management process that creates efficiencies and closes gaps that can exist with unbundled services.
- TRISTAR undergoes annual SSAE 18 SOC 1 and SOC 2 audits, performed by the independent accountants at JLK Rosenberger, CPAs. THE SOC 1 audit report attests to the suitability of design and the operating effectiveness of internal controls over TRISTAR's claims handling processes. The SOC 2 report attests to the suitability of design and operating



effectiveness of internal controls relevant to security, availability, and confidentiality of TRISTAR's data processing systems. This reflects our commitment to our clients and the community and eliminates the necessity for our clients to finance audit costs for program oversight.

- Our sophisticated technology provides the capabilities for on-line claim file, data access and viewing capabilities, as well as customized reporting and data transfer. Our in-house Information Technology staff has expertise in successfully transitioning over 400 claims programs and complete most conversions in less than ten business days.
- Access to an easy to use, web-based and paperless RMIS system
  - Provides claims data services through our IT platform
  - Results in quality report generation, analytics and stewardship
- We focus on reducing each client's Total Cost of Risk.

CHOOSING TRISTAR. While fees are an important factor to consider when choosing a TPA, loss costs represent the majority of MTD's Total Cost of Risk. We believe it is our responsibility to manage your losses responsibly, to act appropriately on your behalf, and to "do the 'RITE' thing" to help transform your risks into opportunity.

Thank you for the opportunity to submit our response to MTD's Request for Proposal. We look forward to continued conversations regarding your claims program.

TAB

3.1

OFFEROR-PREPARED DOCUMENTS

3.1 OFFEROR-PREPARED DOCUMENTS

Letter of Transmittal

Please limit to two pages. Letter shall be signed by an authorized officer with full and complete authority to bind the Offeror contractually, and shall state and certify the Offeror to the following:

- Its interest and willingness to enter into a contract with MTD to carry out the TPA services as described in the attached Scope of Services.
- Its willingness to accept the contract terms and conditions included in the MTD Master Agreement and the Federal Transit Administration Contract Provisions.
- Its ability and willingness to obtain insurance meeting the requirements indicated in paragraph 18 of the Master Agreement.
- Its TPA is a recognized claims administrators of self-insured workers' compensation programs, licensed to do such business in the state of California.
- It has conducted at least five (5) years of TPA services with California workers' compensation claims.
- It possess sufficient experienced, state-certified claim adjusters and other resources to perform TPA services to MTD.

Please see above **Cover Letter** for more information.

Firm Experience and Expertise

Please limit to three pages. Proposal shall provide the following:

- Mission- a description of the TPA firm, with an outline of services and experience performing workers' compensation claims administration in California.
- Experience- a description of any expertise and the number of years in providing similar services particularly to self-insured transit/government employers of similar size and scope of MTD.
- Performance- an explanation why MTD should award your TPA firm the contract for the administration of its workers' compensation program.
- Location- a description of the firm's geographic location(s) and detail as to which branch or location is proposed to provide TPA services to MTD.
- Plans- information whether there are any major changes (e.g. relocation of firm/consolidation) planned for proposer during the next twelve (12) months.
- Subcontractors- an explanation of any subcontractor and/or outsourced work associated with the proposed services, including a brief overview of the subcontractor including names and location. Note: subcontractors must meet the same insurance requirements listed in this RFP.
- Additional Information- any other information deemed appropriate for providing a general overall picture of the TPA and the service capabilities.

MISSION/EXPERIENCE. Headquartered in Long Beach, CA, TRISTAR was founded in 1987 by our president Thomas J. Veale. Originally named Topa Risk Services, the company began as an insurance program manager and medical malpractice claims administrator. Workers' compensation claims management services were added to our offerings in 1989. Growth and change followed, and in 1995 the company was renamed TRISTAR Risk Management. As managed care and benefits administration services were also added to our offerings, the organization grew into TRISTAR Insurance Group.

Today TRISTAR remains a privately held corporation. TRISTAR's annual revenue is approximately $100 million, and TRISTAR is the largest independently owned third party property and casualty claims administrator in the U.S. We focus our operations in three divisions: property and casualty claims management (TRISTAR Risk Management), absence/benefits administration (TRISTAR Benefits Administrators), managed care and medical cost containment services (TRISTAR Managed Care), and loss control and risk assessment services (Aspen Risk Management). Each division provides services nationwide, and we have nearly 700 employees in offices across the country.

TRISTAR has provided TPA services for large and small transit programs for over 33 years.

PERFORMANCE. TRISTAR uniquely understands the needs of public transit agencies and works with a number of large and small California public transit agencies, including: San Diego MTS, North County San Diego Transit District, Santa Clara Valley Transit Authority, Nationally, TRISTAR administers claims for, VIA Metro Transit (San Antonio, TX), Spokane Transit Authority, and Southeastern Pennsylvania Transit Authority. Public transit agencies comprise 20% of our claims on an annual basis and is primary market for TRISTAR's third-party administration services.

LOCATIONS. TRISTAR strategically locates staff throughout the United States to ensure coverage for the entire country and assigns them to branches in major metropolitan areas. This national coverage provides assurance that in the case of a local natural disaster or other occurrence, staffing and support is available to cover for any staff unable to work. TRISTAR is authorized to administer claims in all 50 states, and many adjusters carry credentials for multiple states.

TRISTAR plans to handle claims for MTD out of our Signal Hill, CA office.

More than 80% of our property and casualty claims management business is workers' compensation, and nearly half of our clients are public entities. We serve a wide range of public entity clients, including school districts, cities, counties, states, public transportation systems, special districts, law enforcement agencies, and other municipal entities.

Ancillary services, including utilization review, bill review, nurse case management, and nurse triage services, are consolidated in various locations throughout the United States to improve services and lower costs which can then be passed onto our clients.

PLANS. We have made a small number of strategic acquisitions in the last ten years, including the following: Innovative Care Systems, Inc. (2012), Risk Enterprise Management Limited (2012), ICM, Inc. (2012) Pinnacle Risk Management, Portland (2014), Pinnacle Risk Management, Phoenix (2015), Medpay Resources (2016), and Aspen Risk Management (2020).

TRISTAR is always looking to acquiring new TPAs and other assets to enhance our offerings and strengthen our position, but there are no plans to sell or reduce our footprint during the next 12 months.

SUBCONTRACTORS. TRISTAR does not plan to use any subcontractors for this contract.

ADDITIONAL INFORMATION. TRISTAR is a sponsor and member of the American Public Transportation Assoc. (APTA)

TRISTAR submits the case study below as evidence of TRISTAR's competency in California public transit claims administration.

Large California Public Transit Agency: 10 Years of Cash Flow Improvement and Success
Our client's net payments have shown continuous reduction and improvement over time. The prior three fiscal year's net payments are, on average, $1 million less than the average net payments of the first three

years of our engagement. Additionally, net payments have been flat (+/- 2%) for the past three years, providing critical stability and predictability.

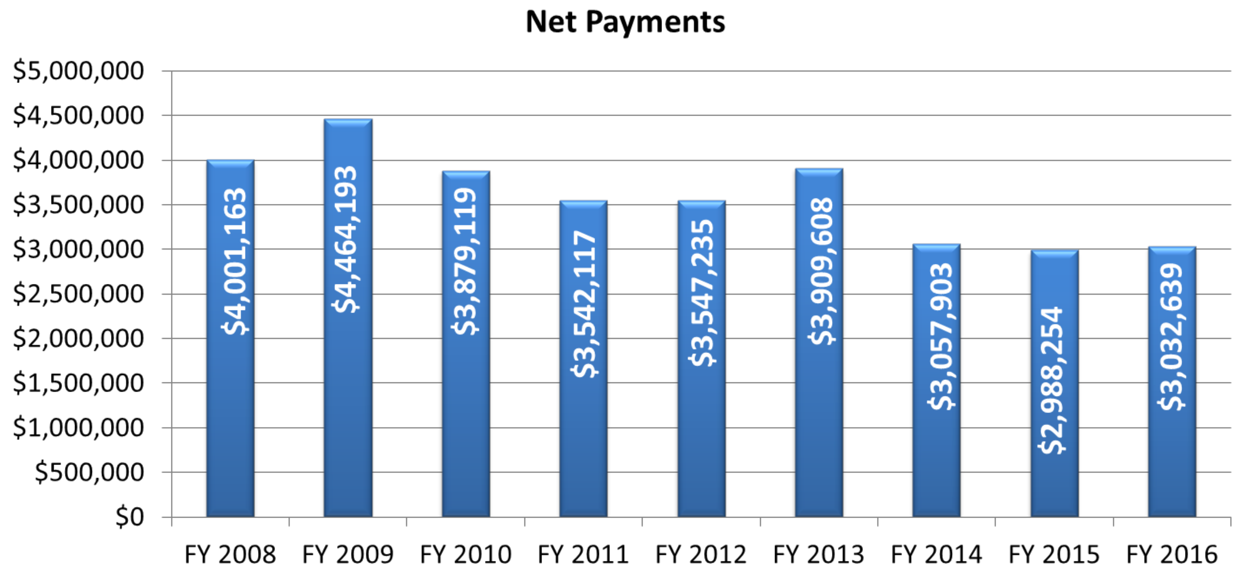


Figure 1: *Cash Flow Improvement and Stabilization*

Since program inception, our client's outstanding liabilities (incurred dollars) have declined by more than $8 million, or 40%. From 2015 to 2016 fiscal year, outstanding incurred was reduced by 11%.

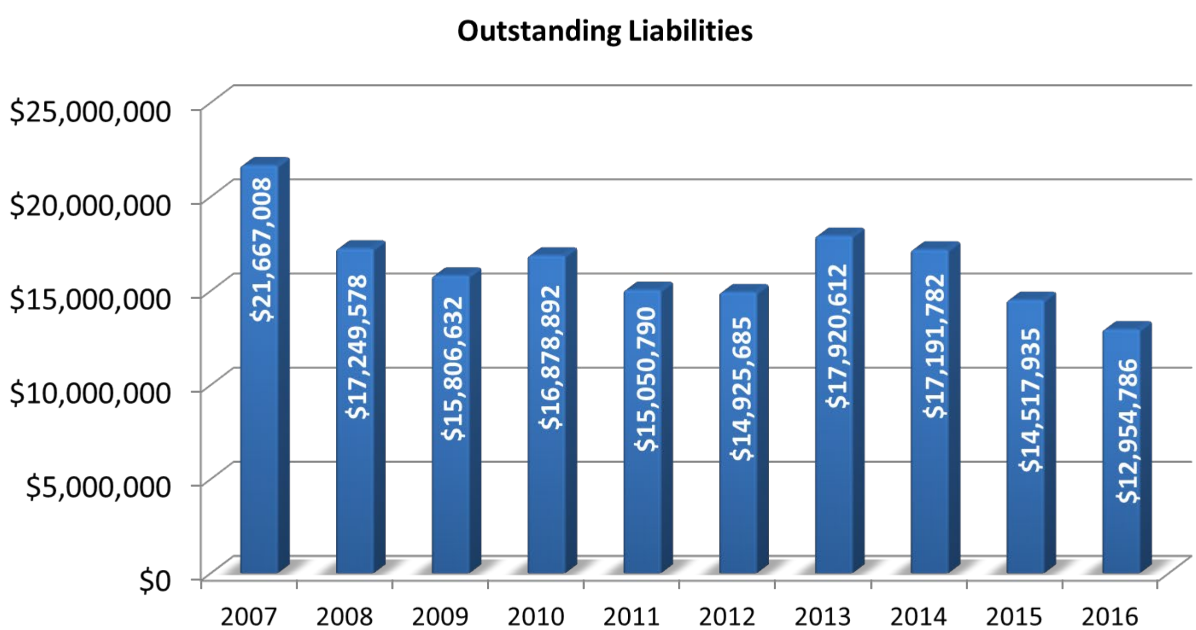


Figure 2: *Outstand Liability reduction for actual client*

Staffing Plan

Please limit to three pages, résumés excluded from page count. Proposal shall respond to and include:

- Leadership- the names and background of principal owners, partners or officers including a résumé or description of experience.

TRISTAR's company officers are:

- Thomas Veale, President
- Denise Cotter, Senior Vice President, Chief Financial Officer
- Joseph McLaughlin, Senior Vice President, Marketing & Sales

Tom Veale, Founder and President

Mr. Veale founded TRISTAR Insurance Group in Los Angeles in 1987 as an insurance consulting enterprise. Initially, the Company was engaged in handling management functions for Meridian Insurance Company, a Cayman Islands captive insurer. Since TRISTAR's founding, Mr. Veale has been the driving force behind the expansion of TRISTAR, from a local insurance consulting firm and specialized TPA with revenues of under $1 million to the largest privately held TPA in the United States, with more than 650 employees and nearly $100 million in revenue. Today, TRISTAR provides claims and managed care programs for workers' compensation, health benefits, absence management, general liability, automobile, and professional liability risks. Mr. Veale is actively involved in TRISTAR's day-to-day management, overseeing strategic business management, mergers and acquisitions, client relations, as well as operational and financial consulting for many self-insured and captive insured clients.

While building TRISTAR, Mr. Veale became President and Chief Executive Officer of Meridian Insurance Company, a position that he held until 1999. During that time, he led the transformation of Meridian from a single insured captive insurance company with less than $1 million of surplus to a third party reinsurer with surplus approaching $100 million. During his tenure, Meridian insured or reinsured fifteen insurance programs covering diverse risks including medical malpractice, workers' compensation, auto / general liability, and property. TRISTAR provided customized underwriting, loss control, treasury, and claims management programs to Meridian to ensure combined ratios well below the industry average for each line of business. During Mr. Veale's leadership, investment management was focused on investing in large-cap growth stocks and special situations. Day to day management was outsourced to four large investment management firms.

TRISTAR has completed over a dozen acquisitions over the past twenty years, two of which added over 100 employees to the firms stable of professionals. Today, the firm has thirty-three brick and mortar locations in most major US cities as well as a dozen areas with a number of remote adjusters servicing a variety of clients.

Prior to founding TRISTAR, Mr. Veale was a Vice President of Topa Insurance Company, Director of Financial Reporting for Transamerica Insurance Company, and an accountant with Western Employers Insurance Company. The owner of Topa Insurance Company was TRISTAR's original equity investor.

Mr. Veale is a member of the National Insurance Industry Council and the founding Chairman of City of Hope's "Hoops for Hope" charity event. He is Chairman of the Executive Leadership Board of the University of Iowa College of Pharmacy, sits on the Executive Committee and Board of Directors of the University of Iowa Center for Advancement (f/k/a Foundation), and the Advisory Council of Iowa Community Pharmacy Network. Tom is also a member of various industry associations, including Risk and Insurance Management Society (RIMS), American Society of Healthcare Risk Managers (ASHRM), Insurance Accounting and Systems Association (IASA), and National Business Aviation Association (NBAA). He is a commercially rated pilot with a CE-500 type rating and a Presbyterian Deacon.

Mr. Veale graduated from the University of Iowa with a BBA in Accounting and attended the MBA program at Loyola Marymount University.

Denise L. Cotter, CPA, Senior Vice President, Chief Financial Officer
Ms. Cotter oversees TRISTAR's the Financial, Human Resources and Information Technology departments. She is a certified public accountant in the state of California, who started her career with KPMG Peat Marwick. She left public accounting as an audit manager of several fortune 500 insurance clients. She manages TRISTAR's financial reporting and trust accounting units.

Prior to joining TRISTAR more than 20 years ago, Denise served as Vice President and Chief Financial Officer of Carnegie Holdings, a managing general agent and third party claims administrator. During her tenure at Carnegie, Ms. Cotter established a California domiciled insurance company to underwrite non-standard auto risks. Prior to Carnegie, Denise served as the Chief Financial Officer of Five Star Insurance Company in Irvine.

Ms. Cotter is a member of American Institute of Public Accountants, graduated from California State Polytechnic University, San Luis Obispo – BA Business Administration with an emphasis Accounting.

Joseph E. McLaughlin, Senior Vice President
Mr. McLaughlin oversees the marketing programs for the TRISTAR Companies. Prior to joining TRISTAR, Mr. McLaughlin served as the National Sales Director for Qmedtrix Systems, Inc., a leading cost containment company for workers' compensation.

Mr. McLaughlin was also co-owner of Self-Insured Management Services, Inc. (now Pinnacle Risk Management), and then the largest privately held TPA in the Northwest. In addition, Mr. McLaughlin served as the Western Division Sales Director for Alexsis Risk Management Services opening offices in Portland, Oregon, Seattle, Spokane, and San Francisco.

A graduate of Michigan State University, Mr. McLaughlin served on the Board of TRISTAR Insurance Group from 2001-2006 and has been in his current role for more than ten years.

• Organizational Chart- an organizational chart of the team proposed for MTD and description of the management structure.

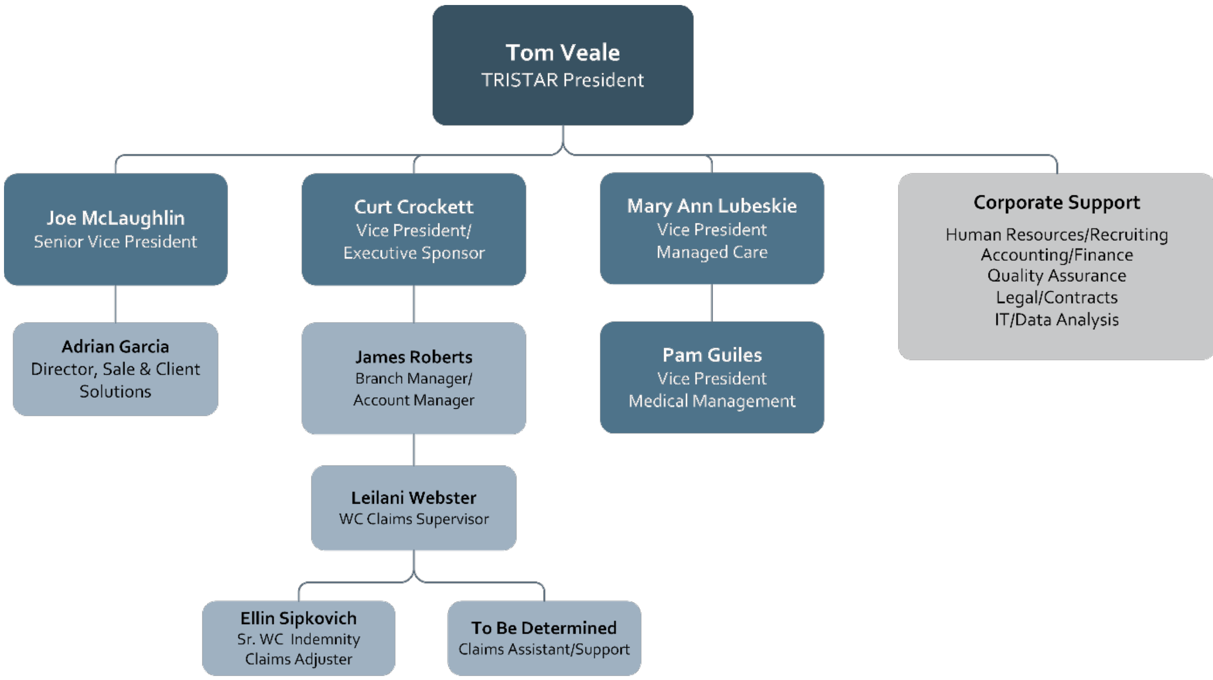


Figure 3: *Proposed Team Organizational Chart*

- Project Staff and Caseloads- a description of the staff proposed to perform the Scope of Services including, number of personnel, job titles and the number of caseloads assigned per role. Identify by name who shall be MTD's main point of contact (Client Account Coordinator/Account Representative). Provide detailed written résumés for each relevant individual including qualifications listing educational background, training, experience servicing California self-insured agency claims, professional standing, licensure and/or certification. Please limit each résumé to two pages.

TRISTAR will provide MTD with a streamlined and efficient staffing model. We assign or recruit and hire personnel readily available to administer MTD's claims. All of our dedicated claim personnel will have industry related capabilities as well as a designated backup, with the appropriate jurisdictional experience and licenses, and, if necessary, our offices providing services in offices across the United States can provide adjusting services for employees who may be out of state.

The TRISTAR management team to be assigned to MTD has significant insurance and claims management experience, and is committed to establishing a long-term relationship with MTD. Our operations include an internal recruiting department to attract new talent and qualified personnel as our business grows or when there is a need to replace a position.

Our associates are required to maintain pertinent and required licenses, and/or industry credentials. We hire and recruit highly skilled professionals with appropriate experience and expertise in their field. Additionally, TRISTAR has nearly 700 associates and has the resources to provide supervisory and adjusting services, as necessary, during a replacement transition period or prolonged absence.

TRISTAR believes that claim professionals must have appropriate workloads and administrative support to achieve the best possible outcomes.

- ***Supervisors and Managers:*** Supervisors and managers do not carry personal caseloads, as they are dedicated to quality assurance, technical oversight and management support of their team. TRISTAR maintains a supervisor/staffing ratio of 6:1; thus maintaining a level of supervision to help ensure proper claim handling reducing the risk of unfavorable outcomes and potential penalties.
- ***Lost Time/Indemnity Examiners:*** TRISTAR best practices recommends a caseload not to exceed 120 active indemnity and future medical claims per examiner, and approximately 10 reported indemnity claims per month. TRISTAR assigns 0.5 support person for each indemnity examiner. This staffing level allows TRISTAR to implement the best cost saving measures and provide a superior level of service to our clients.
- ***Medical Only Examiners:*** Medical only examiners will typically manage approximately 250 open medical claims, and may receive approximately 50 newly reported medical only claims per month.

PROPOSED CLAIM TEAM:

- ***Curt Crockett***, Vice President/Executive Sponsor
- ***James Roberts,*** Branch Manager/Account Manager
- ***Adrian Garcia***, Director, Sales and Client Solutions
- ***Leilani Webster***, Workers' Compensation Claims Supervisor
- ***Ellin Sipkovich***, Senior Workers' Compensation Examiner
- Claims Assistant/Medical Only/Support Staff

Curtis Crockett, Vice President, Regional Manager, California

Mr. Crockett has 30 years of insurance and claims administration experience, including more than 20 years with TRISTAR. He is responsible for seven California branch claim offices, encompassing over 300 employees. He is directly accountable for technical quality and compliance, financial planning, and administrative management of each operation. His expertise in staffing, benchmarking, industry best practices, claim systems, loss cost analysis, client management, and strategic corporate organization helps ensure successful customer program outcomes.

Mr. Crockett is widely involved in client relations, including accountabilities as an Executive Sponsor for several high profile accounts. Mr. Crocket manages a regional budget of $30,000,000. As a client-service driven leader with outcome-based performance goals, Mr. Crockett demonstrates highly skilled leadership abilities that benefit TRISTAR and its customers.

Mr. Crockett's insurance career began in 1987 for Allstate Insurance as a claims adjuster. He has held numerous positions at TRISTAR, including claims supervisor and branch manager. In 2007, he was promoted to a Vice President-Regional Manager. Mr. Crocket maintains an IEA Certification in Workers' Compensation, and a California Self-Insurance Administrator (SIP Certification). He graduated from the University of California with a BA in Economics in 1987.

James Roberts, Branch/Account Manager

Mr. Roberts has over 23 years of experience managing California workers' compensation claims for public and private, insured, and self-insured entities. He has 18 years of experience as a department or branch level claims manager and has been with TRISTAR for eight years in that role. He currently manages a staff of 55 claim professionals handling California workers' compensation for Risk and Public Entity clientele.

Mr. Roberts primary responsibilities include supervision of claims administration for state-wide accounts; review and manage new account claims and large exposure cases; ensure quality and uniformity of work product, including bill payment processes; conduct supervisory reviews and evaluation of claim files with particular emphasis on reserves, claim activity, and closing ratios; responsible for overseeing monthly financial reporting functions. Mr. Roberts conducts client and staff training and develops training curriculum for internal staff.

Beginning his claims career with CalComp, he then went to Superior Pacific as a Supervisor. He later became a Claims Manager at Crawford and Company and has also worked for Sedgwick CMS and Gates McDonald. He is a certified California Self Insurance Administrator. Mr. Roberts has a Bachelor of Arts in English from UCLA*.*

Adrian Garcia, Director, Sales and Client Solutions
Mr. Garcia is responsible for business development and sales activity within California, building strategic relationships with clients, brokers, carriers and others within the industry community.

Prior to joining TRISTAR, Mr. Garcia served in Account Management and Account Executive roles with CorVel Corporation. There he was responsible for providing customer service and relationship management, client retention and sales activity.

Earlier in his career, Mr. Garcia served as Senior Contract Manager for Health Fitness Corporation, where he directed a national corporate wellness program for Hewlett Packard, and managed a team of 40 employees in 15 states.

Based in the Sacramento area, Mr. Garcia achieved a B.A. in Exercise Science from the University of California, Davis; and a M.S. in Exercise Science from California State University, Sacramento.

Leilani Webster, Worker's Compensation Claims Supervisor
Ms. Webster has more than 27 years of California Workers' Compensation industry experience, including more than 20 years of supervisory experience. She has been with TRISTAR for more than 15 years, and has significant experience serving large California hospital systems and healthcare providers.

As a supervisor, Ms. Webster does not carry personal caseloads. She is responsible for assuring that her team complies with employer special handling instructions and TRISTAR's best practices requirements. She must ensure excellent customer service to all parties, and meet production goals. She is also responsible, in part, to make sure that her staff has current training in all related fields. She is a technical resource for her clients and adjusting team.

Ms. Webster has her Bachelor of Arts degree in Criminal Justice from California State University, Long Beach. She holds the WCCP as well as her SIP certificate.

Ellin Sipkovich, Senior Workers' Compensation Examiner
Ellin has 27 years of workers' compensation claims experience, including five years with TRISTAR Insurance Group. Prior to joining TRISTAR, Ellin managed claims for Sedgwick CMS, State Compensation Insurance Fund, Hazelrigg Risk Management and FIRM Solutions.

As a Senior Claims Adjuster, Ellin's responsibilities include handling complex and medical only, indemnity and future medical claims. She has significant experience with disputed claims, litigated files, subrogation, complex medical issues and large exposures.

Ellin has experience serving a number of different industries, including school districts, professional sports, oil refinery, retailer, public transportation, law enforcement.

Ellin currently manages claims for Alum Rock Union Elementary School District, Oakland Raiders and insured programs for two insurance companies. Some notable past clients include Shell Oil, Long Beach Unified School District, Ross Stores, Orange County Transit Authority, Riverside Transit Agency, Kaiser Steel.

Ellin has an AA Degree in Business Administration from Golden West College. Ellin is licensed in CA to administer self-insured employers.

- Staff Transition- a statement if your firm will notify MTD in writing at least thirty (30) days prior to replacement of key employees, and that replacement employees will possess qualifications and experience equal to or greater than individuals being replaced.

TRISTAR agrees to provide a statement notifying MTD prior to a replacement of key employees.

TRISTAR utilizes a "companion adjuster" program to ensure continuity of service in the case of absences. The program provides our clients with coverage while their assigned adjuster is out of the office. We develop our detailed client service instructions, automated workflow prompts, and triggers on specific MTD handling directives. This environment nurtures and encourages a constant exchange of ideas regarding all claims issues.

TRISTAR will maintain the necessary staffing levels to meet or exceed MTD's minimum staffing requirements during the life of the contract. Our Human Resources Department and recruiting team diligently replace employees on a temporary basis and permanent basis, as needed, to provide seamless service to our clients.

- Compliance and Best Practices- a description how your firm ensures compliance with newly enacted statutes and rules and regulations, as well as detail the training and any continuing education provided to your workforce.

TRISTAR recognizes the vital importance of quality in both the service provided to our clients and our technical claims product. Our robust Quality Assurance program helps assure consistent, high-quality service in compliance with applicable statutes, rules, and regulations. As an example, please see **Exhibit A: California SB 1159 COVID -19 Employer Reporting Requirements**. TRISTAR's quality control measurements include, but are not limited to, the following programs to ensure that we are consistently adhering to those practices and procedures established to move files to appropriate closure.

TRISTAR takes a multi-faceted approach to Quality Control to ensure that we consistently adhere to practices and procedures established to move files to appropriate closure. There are three formal audits conducted annually for each claims operation unit to ensure compliance to TRISTAR policies and procedures as well as client and State and Federal handling requirements. TRISTAR can conduct additional audits if requested by a manager or client. Auditors select claims randomly based on a pre-determined percentage of claims by claim type. Audits include comprehensive check data points, including claim file set up and correspondence, file administration, investigation, coding, reserves, indemnity benefits, medical payments, subrogation/recoveries, litigation management, excess carrier reporting, claims management, supervisor and manager involvement. The national audit program includes:

- ♦ A claims audit performed by our quality assurance department to ensure compliance with current law; TRISTAR claims administration guidelines, move files to closure, return injured workers to productive work, and adhere to client service instructions. These full internal audits by our Quality Assurance Managers occur annually unless our contract with a client requires a more frequent schedule. At that time, five to eight percent of all claim files are reviewed. Also, 3-point contact audits are performed quarterly on a ratio determined by the number of new claims received. Also quarterly, a Quality Assurance manager audits the initial/90-day supervisor reviews. The ratio for these matches the ratio for the 3-point contact audits. The mail queue at each branch is also audited each quarter.

- A financial audit performed by TRISTAR's financial auditors for review of payments, accounting, reserving, and other financial controls.
- SSAE 18 SOC 1 (Type II)/SOC 2 (Type II) performance audits performed by JLK Rosenberger, CPAs. To protect the accuracy of claims data provided to our clients as well as the safety of the data TRISTAR holds on behalf of its clients, TRISTAR annually obtains both a SOC 1 (Type II) and a SOC 2 (Type II) audit report. The SOC 1 report attests to the suitability of design and operating effectiveness of TRISTAR's controls over the claims administration process. The SOC 2 report attests to the suitability of controls at a service organization relevant to security, availability, and confidentiality of data. The two reports, including unqualified opinions, are issued the fourth quarter of the year by JLK Rosenberger, CPAs, after extensive audits. Our SSAE 18 SOC 1 (Type II)/SOC 2 (Type II) audit is available upon request with a signed confidentiality agreement, and TRISTAR will review audits performed by our internal quality assurance department upon request.

The auditors track performance by claim unit and report the information to TRISTAR's Branch Manager, Vice President of Client Services and Claims Operations, Vice President/Regional Manager, and President. Branch managers are expected to achieve 85% or above. If there is a noticeable trend or consistent error with the adjuster, the manager or supervisor utilizes the information for immediate training and correction.

QUALITY CONTROL MEASUREMENTS. TRISTAR's quality control measurements, "check and balance", include, but are not limited to, the following. We have developed the following programs to ensure that we are consistently following those practices and procedures established to move files to closure and return injured workers to productive work status.

- ***Supervisory Review.*** TRISTAR supervisors do not carry a caseload allowing, them to concentrate on their primary function, assisting the claims adjusters in developing action plans to move files to closure. Supervisory reviews are on both a random and systematic basis.
- ***Random Audit.*** Our auditors select indemnity and medical files on a random basis for internal audit from the claims system. These audits focus on:
  - Plan of action
  - Appropriate determination of benefits
  - Compliance with client requirements
  - Compliance with State rules and regulations
  - Timely delivery of benefits
  - Reserves
  - Focus on case resolution
  - Compliance with TRISTAR policies and procedures

  Results are documented and reviewed with each claims adjuster, noting areas requiring improvement, and providing direction. Areas identified for improvement are addressed through additional training or by corrective action, where necessary.

- ***Systematic Diaries and Reviews.*** The claims supervisor and branch manager, through controlled system-driven diaries and reviews, monitor critical claim functions. These include:
  - All denied cases
  - Re-opened claims

- ◊ Reserves over claims adjuster authority level, or over $100,000
- ◊ Settlements or payments over claims adjuster authority level
- ◊ 12-day diary from initial date of injury for TD review
- ◊ All indemnity and medical only claims closures
- ◊ Cases proceeding to trial
- ◊ Award payments
- ◊ Supervisory review of claim type and benefit changes

The claims administration system includes automatic diaries generated and based on specific data elements entered in to the online claims file. Diary assignment is to a specific claims adjuster and/or supervisor/manager for review, activity, or response. Managers and supervisors document approval, comments, and directives in the claims files. Corrective action plans and directives are determined following the same process as those for random audits.

- ♦ ***Self Audit.*** The claims adjusters perform self-audits on their files. Utilizing a closure checklist, this self-audit addresses items such as the processing of appropriate forms, correct calculation of benefits, resolution of permanent disability and vocational rehabilitation/supplemental job displacement, voucher issues, and any unpaid or disputed medical bills or liens.
- ♦ ***Technical Authority Levels.*** TRISTAR's claim system is programmed to provide technical authority levels based on job title, experience, and client requirements in the areas of reserving, claim delay or denial, benefit payment, and change. Our system also includes edits that provide for supervisory and management review of files, payments, and legal documents on an ongoing basis at critical times throughout the life of a claim. Documentation of their involvement is required in the computerized claim file notes.
- ♦ ***Use of "Committee" System.*** TRISTAR uses a "committee" style claims administration when establishing the initial plan of action and reserve analysis on catastrophic claims. The committee will consist of the adjuster, supervisor, branch manager, and the client (where appropriate). TRISTAR uses committees for "roundtable" discussion and development of action plans for potentially fraudulent claims and claims training exercises.
- ♦ ***Legal Document Control.*** A supervisor reviews all court and regulatory legal mail. The adjuster and supervisor document all future court dates and monitor awards to help assure prompt payment.
- ♦ ***Client Procedural and Service Instruction Compliance.*** TRISTAR completes an implementation form for every new client, which includes client specific requirements. Our system also provides for entry of these specific requirements into the "client profile" screen, which is available to all staff assigned to a specific client. This information allows the staff to provide services consistent with the client's requirements.
- ♦ ***Document Processing.*** Our claims adjusters generate standard and customized correspondence documents and regulatory forms created from the claims database. This assures accuracy and uniformity in providing information. All documents and forms are electronically stored in the claim system.

Our extensive auditing, policies, procedures, and commitment to SSAE 18 SOC 1 (Type II)/SOC 2 (Type II) compliance differentiate TRISTAR in the industry and helps to ensure compliance with statutory rules and procedures, TRISTAR claim handling practices and MTD service instructions.

INCENTIVE FOR QUALITY ASSURANCE EXCELLENCE. TRISTAR's President's Award for Claims Handling Excellence is awarded annually as an incentive for adjusters and supervisors to achieve outstanding audit results: adjusters must score 95% or higher, and supervisors must have an individual audit score of 95%

or higher, and their units must earn an overall score of 90% or higher. Team members who achieve these metrics earn a monetary prize, a plaque, and are mentioned in our internal newsletter.

BEST PRACTICES OVERVIEW. TRISTAR's Quality Assurance process provides a consistent basis for continuous and incremental improvement on leakage reduction, as well as constant re-evaluation of best-in-class practices. As such, it has developed Best Practices guidelines for each phase of the claims process, including:

Coverage. Prompt written confirmation and/or analysis of coverage.

- Prompt confirmation that policy information is accurate and applicable
- Reinsurance determined and reported where applicable

Contact. Same-day contact with all parties involved in the loss, including plaintiff's counsel.

- Same-day contact with employee, employer and a doctor to determine compensability and injury
- Regular aggressive follow-up with contacts throughout the life of the file

Investigation. Timely and adequate documentation of facts and the development of an initial investigation strategy plan.

- Recorded statements on back injuries, with others at the discretion of supervisor, adjuster and/or client requirements
- Wage information obtained and appropriate rate determined
- Outside investigation completed when necessary
- Indexing on all lost time cases
- Fraud indicators checked and referred for Special Investigation (SIU) when appropriate
- Regulatory requirements and turnaround times met and/or exceeded
- Initial diary set at 30 days with subsequent follow-up no more than 90 days

Recovery/Contribution. Constant, effective recognition, investigation and pursuit of recovery and/or contribution possibilities, as well as deductible collection.

- All new losses reviewed by a supervisor for potential subrogation
- Potential sources of recovery identified and placed on notice immediately
- Other sources of recovery, such as SIF or other state funds, pursued aggressively

Evaluation. Appropriate analysis of liability and damages. The claim file must reflect the development, strategy and action plan necessary to resolve the claim, while complying with Home Office Technical Claims reporting requirements.

- All losses evaluated for potential financial impact immediately upon receipt
- Initial reserves established within five days (30 days on major cases) and changes within 30 days
- Home Office referral for guidance and direction on all files meeting established criteria

Medical/Disability/Rehabilitation Management. Aggressive management of the medical care and treatment of the injured employee, utilizing a wide range of techniques designed to return the injured employee to gainful employment as quickly as possible.

- Lost time cases involve aggressive pursuit of Return to Work/Light Duty
- Disabilities and restrictions determined in a timely manner
- Medical reports obtained promptly and reviewed by adjuster for early disposition
- Medical management aggressively followed with early intervention nurse and medical provider
- Prior to releasing TTD checks contact made to confirm employee is disabled
- Independent medical exams set up when appropriate
- Assignment to approved rehabilitation vendors when appropriate and close follow-up and direction

Negotiation/Disposition. Disposition of claims, using good judgment to obtain the best possible timely result.

- Claim adjuster to review settlement strategy and plan with supervisor
- Negotiation conducted promptly and aggressively and documented in file

Supervision. Substantive supervisory file handling guidance and coaching throughout the life of the file to efficiently channel the claim toward an effective resolution.

- Supervisors do not carry personal caseloads
- Initial 14-day diary review
- Subsequent reviews at 90-180 days
- All denials, re-opening, reserves/settlements/payments over adjuster authority level, cases proceeding to trial, award payments, change in claim type/benefit, and more
- All reviews and evaluations documented

Customer Service. Service times for initial and subsequent contact with our customers, responses to correspondence and status requests.

- Contacts and return phone calls made same day
- Claim Handling Instructions (CHI) followed
- Reserve increases and settlements discussed with customer as required

By definition, Best Practices are not static, but are subject to improvement. They are continuously reviewed and updated to help TRISTAR achieve and sustain world-class performance. A complete copy of the most current Best Practices documents which is very large can be provided upon request.

EMPLOYEE TRAINING AND EDUCATION PROGRAMS. TRISTAR recognizes the need and encourages employees to enhance their technical knowledge and professional skills through continuing education to improve job performance and develop potential for future career advancement. We have initiated an education assistance program specifically created to provide financial assistance to the employee to help defray some of the cost involved according to the guidelines TRISTAR has established.

TRISTAR sponsors extensive training of our employees through the Insurance Education Association (IEA). We emphasize all workers' compensation courses, as well as those courses leading to recognized designations such as CPCU, ARM, AIM, and AIC.

TRISTAR trains all non-professional staff upon hiring in all aspects of their position requirements. Non-professional staff training includes receptionists, mail/file-clerks, and payment processors and claims assistants. Training for claims assistants is more in depth and includes developing an understanding of the workers' compensation and liability system requirements for provision of benefits and required notices. Additionally, TRISTAR trains staff in specific areas of client service instructions as they may relate to wage continuation, data integrity, return-to work programs, and correspondence.

Training in the areas of identification and reporting of potentially fraudulent claims and workers' compensation overview is mandatory for non-professional and professional staff. The reporting of potentially fraudulent claims training includes review and understanding of "red flags" which may indicate fraud, the fraud unit process for reporting claims as well as identification of fraud unit representatives in each office.

TRISTAR conducts ongoing training and seminars for our professional claims staff. Ongoing training for TRISTAR's professional claims staff is mandatory in the areas of accurate reserving, rehabilitation laws and benefits, identification and reporting of potentially fraudulent claims, subrogation, restitution, and excess reporting, new legislation, AMA and ACOEM regulations, structured settlements, Medicare-set-asides, utilization review and other corporate training areas of importance. TRISTAR frequently invites staff from local provider offices and legal firms provide on-site in-service education sessions for staff and clients.

Managers are required to review our quality assurance department's monthly corporate training modules with employees. Branch managers can modify monthly corporate training modules for jurisdictional variances and client instructions and requirements as long as changes do not compromise our standards. Management also provides training via Webinar to include instruction and education regarding new case law affecting our organization company-wide, federal regulations such as Section 111 reporting requirements, etc.

Supervisors typically attend two (2) training sessions per year at our Corporate Offices in Long Beach, CA. This training allows them time to network and get to know other supervisors in different offices and learn from each other's techniques.

TRISTAR also encourages and supports our staff to attend training programs offered by many industry organizations. TRISTAR belongs to and attends seminars, conferences, and trade shows conducted by numerous local, regional, and national industry association organizations such as the following:

- American Public Transportation Assoc. (APTA)
- American Society for Healthcare Risk Management (ASHRM)
- California Association of Joint Powers Authorities (CAJPA)
- California Association of School Business Officials (CASBO)
- Council of Self-Insured Public Agencies (COSIPA)
- Healthcare Human Resource Management Association (HHRMA)(Multiple States)
- National Truck and Heavy Equipment Claims Council (NTHECC)
- Public Agency Risk Managers Association (PARMA)
- Public Risk Management Association (PRIMA) (Multiple States and National PRIMA)
- Risk and Insurance Management Society (RIMS)(Multiple States and National)
- Southern California Association for Healthcare Risk Management (SCAHRM)
- Southern California Council of Self-Insurers (SCCSI)
- State Self-Insured Associations throughout the United States (i.e. NSIA, CSIA)
- State Claims Professional Associations throughout the United States
- State Risk and Insurance Management Association (STRIMA)
- Trucking Insurance Defense Association (TIDA)
- Claims and Litigation Management Alliance (CLM)
- Workers' Compensation Research Institute (WCSI)

- Additional Information- any other information deemed appropriate to demonstrate that your firm will be adequately staffed with trained personnel to handle MTD's full caseload and have the capability to recruit such staff.

Our operations include an internal recruiting department to attract new talent and qualified personnel as our business grows or when there is a need to replace a position.

TRISTAR's corporate values are to *"Do the RITE thing."*

- **R**espect our clients and one another
- Operate with **I**ntegrity, adhering to strong moral and ethical codes in dealing with one another and in providing services to our clients
- Earn the **T**rust and confidence of others by always doing the right thing

- Deliver Excellence to our clients who deserve our best quality work and customer service each and every day.

TRISTAR hires and retains knowledgeable and skilled professionals who adhere to the RITE principles, by establishing and maintaining a corporate culture that embodies these values.

- ***Hiring Process:*** The recruitment process includes, but is not limited to an extensive background check, e-verification, and credit and reference checks. Additionally, the candidates must pass an integrity test and a test administered to determine claims adjusting skills, knowledge and expertise pertaining to the specific jurisdiction for the open position. All newly hired employees participate in training programs conducted by our quality assurance department and management team that includes sessions regarding TRISTAR best practices and customer claim handling guidelines. TRISTAR quality assurance department and managers conduct monthly corporate training programs that are jurisdictionally and customer specific. Supervisors participate in periodic and annual training programs conducted annually by the quality assurance, information technology and human resource departments.
- ***Employee Retention:*** TRISTAR provides a positive, professional work environment for our staff members, founded on the "RITE" principles. Despite having grown into a large, national company, TRISTAR's culture remains consistent with its roots as a boutique company, due in large part to consistent, hands-on leadership by founder and president Tom Veale. Benefits experienced by employees include both tangible and intangible assets designed to attract and retain best-in-class team members. Just a few of the reasons that TRISTAR is a great place to work are included below:
  - Competitive salary and benefits
  - Reasonable workloads and supportive management
  - Financial support for continuing education
  - Physical office locations selected for convenience and practicality
  - Annual President's Award, including a financial prize and plaque for qualifying examiners and supervisors based upon Quality Assurance audit scores
  - Human Resources service and support, including Employee Assistance Programs
  - Scholarship program available to employees' children – five winners awarded annually based upon academic and community service achievements
  - Philanthropic and Community Service Focus
    - National corporate support of "Hoops for Hope"
    - Each local branch office receives special budget to support non-profit of the office's choice
    - Volunteer Paid Time - One day paid time off per year for volunteer/charity activity for all full-time employees
  - Corporate activities to unify offices nationwide, such as the TRISTARFit Step Challenge – a 6-Week long fitness challenge available for all employees to participate, including weekly prizes and recognition for participants.
  - Holiday Parties – TRISTAR supports local offices holding a summer barbeque/picnic type event, and a winter holiday party each year.
  - Bi-Monthly Internal Newsletter providing pertinent news and updates on the goings-on in local offices and at headquarters, celebrates "work anniversaries," and includes a section written by our president Tom Veale, responding to questions submitted by employees.

Work Plan

Please limit to six pages, reporting examples excluded from page count. Offeror shall provide a narrative that addresses the Offeror's understanding of MTD's needs and requirements. At a minimum, the Work Plan shall address and include:

- Scope of Services- an explanation whether TPA services will fully comply with the entire Scope of Services.

TRISTAR has carefully read and can fully comply with the entire Scope of Services.

- Select and describe one specific Scope of Services objective your TPA excels at.

CLIENT SATISFACTION – SATISFACTION SURVEYS. Client satisfaction is of the upmost importance to all at TRISTAR. Each client has unique expectations, needs, requirements, philosophies, and goals contributing to their overall satisfaction. During the implementation process, we will review these details with MTD. To assure ongoing alignment, we recommend an annual stewardship and partnership meeting to review the program's outcomes, successes, opportunities for improvement, and MTD's overarching goals and objectives. We will help MTD identify ways to decrease frequency and severity, and review potential opportunities for claim avoidance. Goals and objectives may be measured and monitored with MTD and the account management team on a monthly, quarterly and/or annual basis.

All clients have direct access to their account manager who documents and resolves any issues or concerns. Customer complaints are reported to senior management, who become involved when resolution cannot be accomplished by the account manager.

All injured workers have direct access to adjusters, supervisors, and managers to resolve any disputes or complaints. Claims managers and supervisors bear the important responsibility of providing additional layers of assurance that each injured worker is treated fairly and equitably, and that any problems or complaints are addressed in a timely manner.

In addition, TRISTAR's Quality Assessment Department independently performs a variety of functions that illustrate iterative quality assessment in action and supports quality improvement in the claims administration and clinical management operational areas.

EMPLOYEE AND PROVIDER SATISFACTION SURVEYS. At MTD's request, TRISTAR offers the capability to submit surveys to employees upon file closure. The employee satisfaction survey asks the injured employee to rate their provider, claims examiner, nurse case manager and overall experience. It also has a space for comments and concerns, with the option to remain anonymous.

On a continual basis, TRISTAR profiles all types of network providers, monitoring quality of care indicators such as appropriateness and outcomes of care and billing practices. We also use information we collect through clinical management interactions with individual providers and any complaints from clients or injured workers, as well as federal and state publications and national press clippings to help us monitor the status and quality of providers.

Injured employees may file complaints with TRISTAR's Medical Network Administrator regarding network providers. They may submit a complaint in writing to the Administrator by email at TRISTAR.PPO@TRISTARgroup.net or by calling toll free (877) 287-4782, extension 1441. They may also submit a written complaint to the following address: TRISTAR Managed Care Attn: Medical Network Administrator P.O. Box 10200 Santa Ana, CA 92711. The Medical Network Administrator will then contact the examiner, nurse case manager, or other applicable individual to determine the proper resolution. The resolution response will include options for next steps, should the injured worker be dissatisfied with the resolution.

Our online Provider Directory also has a 'Submit Comment' option next to each provider listing, which is maintained by our Medical Network Administrator.

We have also participated in provider surveys; provider surveys may also be performed by our PPO networks. We are happy to customize a provider survey for MTD's provider community.

CUSTOMER ON-LINE RESOLUTION AND CUSTOMER SATISFACTION CENTER. TRISTAR offers an online, customized tool to capture questions and concerns from member departments, supervisors and injured workers in a database format.

- Provides a mechanism for TRISTAR managers to address, track and report any comments, issues or concerns on-line.
- Allows TRISTAR and MTD to capture trends to better identify opportunities to improve service, training, communication and education.
- Places direct contact phone number and URL on MTD's website, removes multiple contact points, and funnels issues through one contact channel.
- Supports both online and mobile entry.
- Periodic Surveys can be scheduled and customized for MTD
- Supports QR code for Human Resources distribution.

Reports for MTD and key stakeholders include but may not be limited to:

- Satisfaction and percentage/rate of satisfaction for timeliness
- Comments regarding satisfaction
- Percent of direct contact with TRISTAR
- Ways in which the supervisor/injured worker/claimant contacts TRISTAR
- Adjuster's knowledge/ability to answer questions
- Adjuster's level of professionalism answering questions
- Satisfaction on new claims communication
- Supervisors comments on overall program services
- Creates goodwill and provides risk management with reports for governing boards

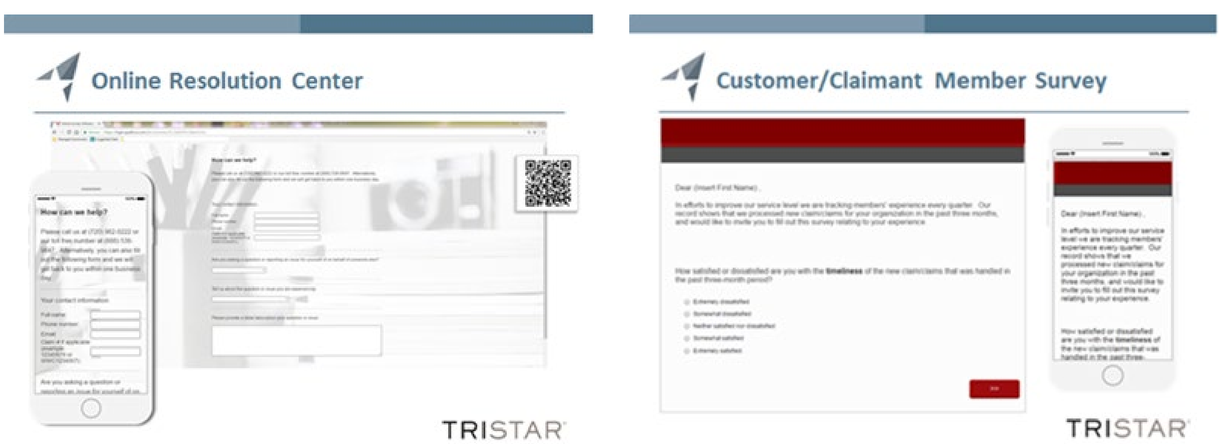


Figure 4: *TRISTAR online issue portal and satisfaction survey starting screen*

REGULATORY AGENCY SURVEYS. A number of state regulatory agencies require claims administrators to conduct or participate in surveys. TRISTAR participates in any mandated or recommended surveys initiated by regulatory agencies.

PROBLEM ESCALATION PROCEDURE (PEP). Managing complaints or concerns is a critical part of any quality and regulatory compliance program. It is expected that each associate take any and all complaints seriously and handle the customer complaint properly.

Complaints will vary widely in nature and extent; therefore the following is policy for complaints generated to supervisors, managers and management team, as these are normally escalated complaints that the caller feels have not been resolved. It is expected that all TRISTAR associates are equally responsible for resolving a customer's complaint. The TRISTAR associate who first receives a complaint must act immediately to resolve it, even if full resolution will ultimately require the involvement of others.

TRISTAR has annual Customer Service training which emphasizes Complaint Management, utilizing the LEARN principle. LEARN is an acronym for complaint handling:

- Listen – Listen carefully, don't interrupt.
- Empathize – with the situation or issue; understand the difficulty or challenge presented.
- Apologize – for the circumstance, inconvenience or frustration experienced.
- React – Determine steps necessary to resolve the matter, and advise the customer.
- Now – Don't delay; take immediate action to help resolve the complaint.

TRISTAR's policy and expectation is that any individual fielding a complaint will not allow unresolved problems to continue past an expected or desired finishing time; attempt to resolve the issue promptly and quickly.

Receipt, Acknowledgement and Documentation: If a supervisor or manager has received a complaint and cannot immediately generate a same day "resolution," the supervisor or manager will document the complaint, and advise the customer of an estimate of when the complainant can expect a response. Responses must be timely, and within a 24 hour timeframe. If additional time is needed, the complainant must be informed with new estimated time required.

Associates are trained to resist responding negatively to exaggerated, misidentified or mischaracterized issues; listening is of key importance. However, if the complainant becomes verbally abusive, the call should be transferred to the manager if available, if the caller cannot be neutralized, the associate is to try not to be defensive, regardless of the complainant's attitude or behavior.

The TRISTAR associate will attempt to relate back to the caller their understanding of the issue, and their resulting frustration in order to confirm understanding of their issue. The complaint received, acknowledged and documented. The supervisor or manager will investigate allegations and look into all details and the source identified.

Client or complainant should be contacted when the investigation and/or a remedy is completed to report findings and resolution. If there is no resolution to the complaint generated then the complainant must be advised and counseled as to the reasoning of non-resolution.

James Roberts will be MTD's primary point of contact regarding initial report of any issues, problems, concerns or challenges. The timeframe to respond/resolve the matter will be dependent upon the type of request, however, TRISTAR's policy is to acknowledge all such communications immediately, and provide a proposed plan to and estimated timeframe to accomplish resolution. Mr. Roberts will serve as the MTD's liaison between TRISTAR's various internal departments, and shall be responsible for coordinating TRISTAR's efforts to bring each/any matter to appropriate resolution.

Should Mr. Roberts require additional assistance, or not resolve the matter to the MTD's satisfaction; TRISTAR's Vice President, Curt Crockett will serve as the MTD's Executive Sponsor and provides a direct link to TRISTAR's Executive Leadership Team. Mr. Crockett reports directly to TRISTAR's President, and will be an available resource to the MTD and Mr. Roberts to advocate on the MTD's behalf if necessary and accomplish appropriate resolution of issues or concerns.

- Detail all Scope of Services objectives your TPA is unable or unwilling to comply with, please indicate the objective and the specific reason(s) the objective cannot be accomplished and propose an alternate (where available).

TRISTAR is able to comply with all objectives listed in the Scope of Services.

- Transition Plan- a description of the transition plan for the transfer of claims administration effective January 1, 2021. Identify all items and present a timeline the TPA service would need to ensure uninterrupted benefit delivery to injured employees.

MTD can be confident that by choosing TRISTAR, transitioning the claims administration program will be efficient and timely. A successful partnership begins with a thorough knowledge and understanding of MTD's goals and objectives, aligning those goals with ongoing service requirements and resources, and the continuous assessment, analysis, and improvement of program deliverables and initiatives. TRISTAR typically prefers 60 – 90 days from award of contract to inception date; however, we have successfully transitioned numerous client programs in far shorter timeframes when necessary.

As part of the transition plan for MTD, TRISTAR's office management and adjusting team will help transition and triage open claims at the time of transfer. We will begin accepting new claims on the commencement date determined by MTD. We will provide an Implementation and Transition Plan showing our extensive, detailed process, with tentative timelines and accountability to ensure a successful implementation. Our experience and credentials demonstrate our ability to meet milestones and efficiently and effectively transition large accounts. We will develop Customized Servicing Instructions that describe MTD's unique servicing requirements.

TRISTAR's detailed implementation program begins at award of contract and extensive transition plan is provided for review with all parties. Daily and weekly calls are facilitated with MTD to help MTD stay apprised of the on-going progress. The dates of each implementation activity are established upon award and the timeframe provided for the transition. A high-level overview of activities include:

- Planning
    - Internal TRISTAR meeting
    - Identification of TRISTAR and MTD teams
    - Contract execution, provision of required documentation
    - Establish regular conference calls with MTD
    - Establish transition roles and responsibilities: TRISTAR and MTD
    - Customize transition and project plan
    - Secure MTD's excess policy information
- Customized Handling Instructions, including but not limited to:
    - First Notice of Loss process, including emergency escalation

- ◊ Catastrophic loss procedure
- ◊ Authority levels
- ◊ Reporting/communication policy
- ◊ Medical management
- ◊ Litigation management
- ◊ Return to work
- ◊ Labor agreements
- ◊ Review standard forms/letters: submission, employee notifications, denials, etc.

- Pending Inventory (Open Claims):
  - ◊ MTD to secure approval from carrier for transfer of open/pending claims to TRISTAR
  - ◊ Notify incumbent and provide transfer items/agenda
  - ◊ Provide detail file transfer instructions
    - Advance indemnity payments
    - Medical bill processing/cut off
    - Mail handling: current/future
    - Phone calls: current/future
    - File notes, financial records
    - Boxing and labelling instructions
  - ◊ Notify providers regarding bill submission
  - ◊ Notify claimants
  - ◊ Transfer physical files
  - ◊ Complete data conversion
- Information technology and risk management information systems
  - ◊ Review any special claim types
  - ◊ Review any special data capture/hierarchies
  - ◊ Review automatic triggers
  - ◊ Review forms
  - ◊ Obtain test data, imaged files for mapping, begin mapping
  - ◊ Obtain table/layout file
  - ◊ Discuss CMS report files, current bill review vendor
  - ◊ Obtain prior two years bill review data
  - ◊ First Notice of Loss script, automated pool/member/branch notification
  - ◊ Outline first report of injury process
  - ◊ Create log-ins and conduct training for MTD users
- Banking and Accounting
  - ◊ Review MTD banking process
  - ◊ Establish Loss Fund and replenishment process
  - ◊ Establish approved signatures, complete bank card
  - ◊ Establish desired financial reports
  - ◊ Test check issuance

  - ◊ Add MTD preferred ancillary service firms
  - ◊ Invoice timing and format
- ♦ Launch
  - ◊ Visit MTD to distribute claim manuals and discuss program with key MTD staff
  - ◊ Accept new losses
  - ◊ Implementation analysis/MTD's satisfaction, establish future claim review and stewardship schedule

Please see **Exhibit B: Sample Implementation Plan** for more information.

- Risk Management Information System and Reporting- details to the proposed computer operating system utilized to provide workers' compensation services. Please note that the Claims Management Information System (CMIS) / Risk Management Information System (RMIS) is considered to be critically important to MTD. Ideally, the system should allow MTD multi-users online access to claim files, adjuster notes, all correspondence, and reports (or if feature will be unavailable to MTD, how the same data and communication will be provided). MTD is interested in a TPA with a system that provides detailed billing management reports and allows MTD to query report data by Name, SSI#, Date of Loss. Samples of computer-generated management reports must accompany the proposal as an attachment.

TRISTAR's claim system and managed care systems are interconnected to a Risk Management Information System, TRISTAR Connect, for real-time accessibility to claim detail and data. The system is paperless, web-based, and offers Android and Apple compatible mobile apps for employers and claimants. TRISTAR Connect is accessible online using common software, such as Internet Explorer or Google Chrome browsers, PDF Reader for viewing charts and generated reports, Microsoft Excel for "download" functionality and generated reports, and AlternaTiff to view images. A demo may be viewed at https://youtu.be/B0zieD306gY.

TRISTAR's proprietary RMIS system was developed and is maintained by a dedicated staff of highly trained and experienced IT personnel. They are accessible to clients during business hours.

The claims system provides adjusters with automated access to forms, rates, rules and regulations to streamline the adjudication process. Standard forms can be customized for customers to reiterate the client's return to work policies and procedures, and our business rules will calculate average weekly wage (AWW) and indemnity benefits. Adjusters have access to federal and state laws, regulations, and rates, medical treatment guidelines and more.

TRISTAR will provide access to authorized users, and will update user access as provided by MTD on a periodic basis as needed. TRISTAR Connect provides access to a client dashboard, individual claim detail, and reports. Access can be customized for individual users.

DASHBOARD. Our goal is deliver relevant, actionable information in a user-friendly dashboard view. There are three tabs within the dashboard, each sharing key metrics in presentation-ready format: Claim, Financial and Loss Control. Our claim view includes a Trial Calendar with a rolling two month view of upcoming hearing and trial dates. Each dashboard screen offers one-click dropdown to view the data populating the report, option to print or export, and many of the dashboard reports include "hot sites" where simply scrolling the mouse over the site will produce a pop-up with key detail on that data point.

Figure 5: *Sample Dashboard Screenshot of TRISTAR Connect.*

CLAIM DETAIL. Includes diary, notes, payment processing, reserves/reserve changes, litigation, medical management, policy management, correspondence, work status and restrictions, vendor tracking, correspondence and more. Users have the ability to open three separate claims simultaneously via independent tabs within the portal.

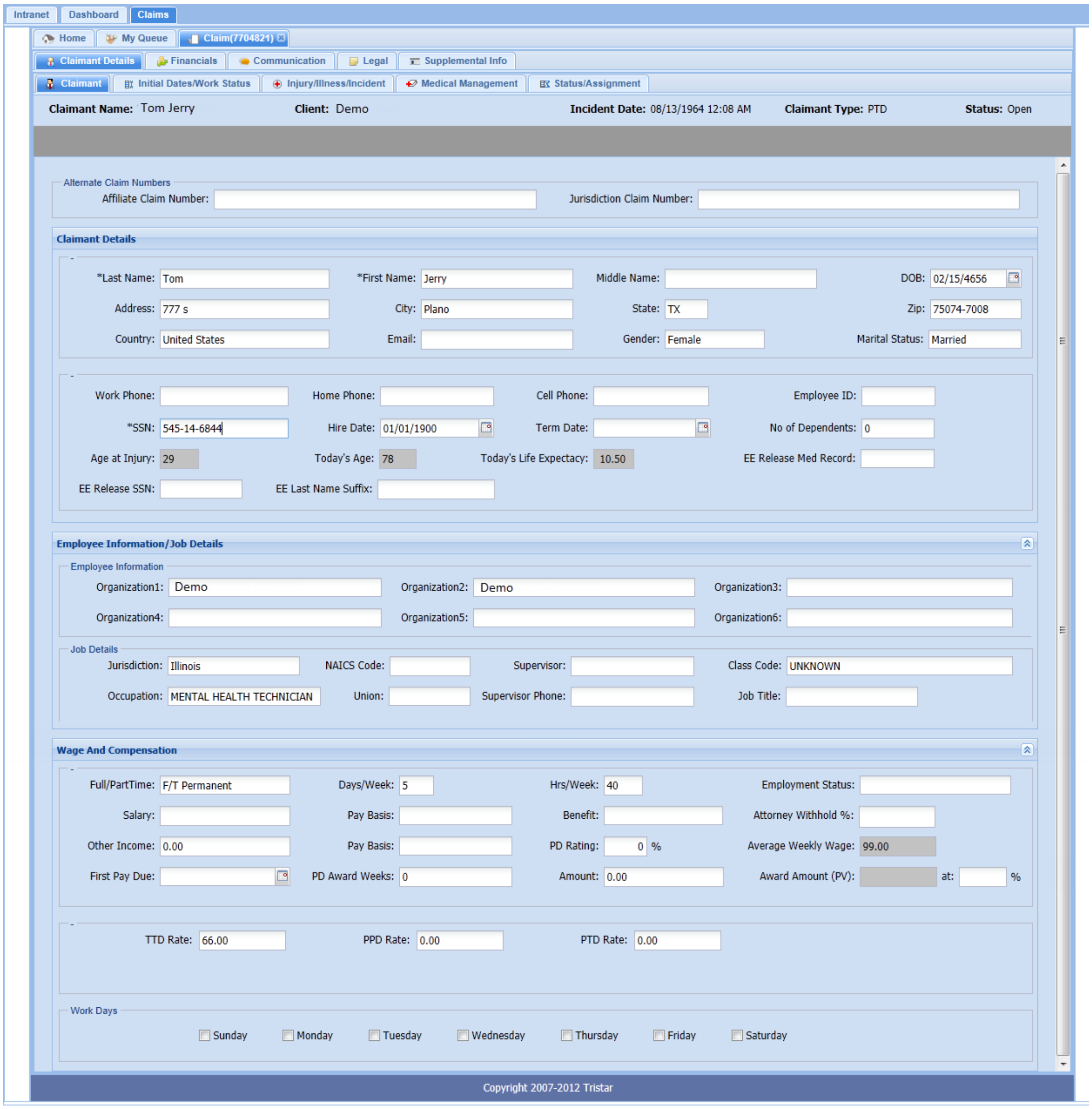


Figure 6: *Screenshot of a Sample TRISTAR Connect Claimant Claim Detail screen.*

REPORT MODULE. Standard management reports and customized, ad hoc reports are available to run, view, print, email, or download. We offer over 80 reports such as Loss Prevention, Loss Triangles, Claim Log, 1099s, and many others. Reports may be programmed to run automatically on a user-designated schedule.

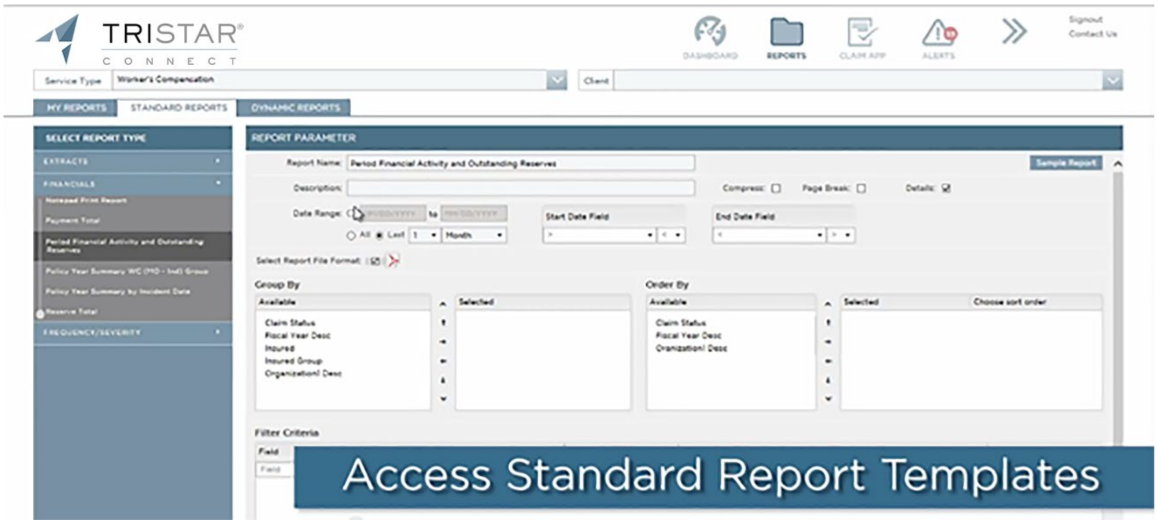


Figure 7: *TRISTAR Connect Report Generator Screenshot*

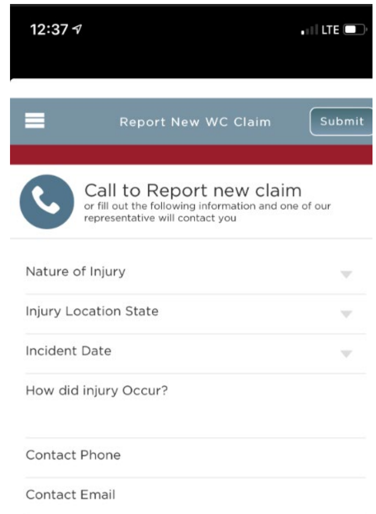
ALERTS. Our tools allow for customized alerts based on client specific criteria, such as reserve changes in excess of a given amount, large payments, closing notices, and the like. User Defined Examples include but may not be limited to:

- Attorney added
- Claims open with zero reserves
- Claims that have been reassigned to a different adjuster
- Claims that have closed
- Claims that have a reserve change – increase or decrease greater than a specific dollar amount
- Work status change
- Incurred over certain amount
- New claims this month
- Paid over certain amount

Figure 8: *TRISTAR Connect includes a mobile app give our clients and their employees access to basic claim information on their telephone.*

Mobile App for workers' compensation can allow employees to:

- View existing claims
- View payments
- Report new claims
- Call their adjuster
- Email their adjuster



Mobile App additional screens for employers can allow clients to:

- See pre-defined charts and graphs
- Mobile App can only be used by authorized users to report a claim. The authorized user must download TRISTAR Mobile application in Mobile Phone (IOS and Android and register successfully. Only basic information is required for submission so that the adjuster can contact the injured employee to obtain additional information required for claim submission.

DATA ANALYSIS: TRISTAR's system provides many fields that, when reported on, can provide actionable loss control trend data. These fields include types of injuries, body parts, cause of injury, incident type, locations, claimant age, job descriptions, etc. Our system offers robust reporting capability to help illuminate trends in employee injuries and incidents, which MTD can translate into actionable plans to mitigate risk.

TRISTAR has provided thousands of extensive loss runs, data analysis, trending and benchmarking reports, OSHA statistics, safety reports, and other analytics on a monthly, quarterly, annual, and periodic basis for our customers throughout the last 30 years. We have utilized our extensive list of public entities and self-insured businesses to compare data and program results. We can share outcomes and our capital intelligence of best practices to help ensure our customers gain value from our experience. In addition to monthly and quarterly reports, we will provide MTD with an annual stewardship report.

CUSTOMIZED REPORT PACKAGE. TRISTAR typically provides a customized monthly, quarterly, annual, and periodic report package for our clients. Reports include fiscal or policy year summary reports, open/reopened claims reports, check registers, financial activity reports, and even safety activity reports.

AD-HOC REPORTING. Real-time ad-hoc reporting is available for user-defined report production.

REPORTING HISTORY PERIODS. TRISTAR creates "Reporting History Periods" every month after midnight the last day of each month. Reporting History Period functionality enables the user to produce statistical and analytical data that is static for that specific "value as of date" – or reporting history period. Reports can be created with reporting history periods as of "last month," "last quarter," "last year," "last fiscal" year, or at specific periods such as the end of August 2018. Reports with Reporting history periods typically include paid, outstanding reserves, total incurred amounts within the reporting history period in addition to total financial summary amounts of total paid, total outstanding, and total incurred and total recoveries and net incurred. This type of reporting ability provides the ability to develop loss trends and benchmarking data for actuaries or claim analysis for assisting in risk management administrative decisions.

TRISTAR service representative can train customers to create reports, or supervisors or managers can create reports upon request, or reports can auto-scheduled by our client service unit for any client.

CLARA ANALYTICS. CLARA's Risk Management Toolkit (RMT) application is an advanced Artificial Intelligence-based (AI-based) toolkit to assist adjusters, supervisors, and risk managers in evaluating an entire claim population's performance. The program provides an understanding of the underlying costs that affect a group of claims and predicting trends that could have a negative impact in the future. The new RMT is part of the CLARA claims product, which utilizes AI to help adjusters better manage claims in real-time and identify at-risk claims before they escalate. The RMT is unique in that it leverages a variety of machine learning and natural language processing techniques to analyze both structured and unstructured data, such as observations mined from claim notes, medical records, images, and other documents. Incorporating unstructured data into AI models results in a more accurate and detailed analysis that can inform decision-making and reduce the severity and frequency of claims.

Via the use of CLARA analytics' cloud-based applications suite, CLARA Providers, CLARA Claims, CLARA Litigation, and CLARA Risk Management Toolkit, TRISTAR offers a wealth of information specific to both utilization and providers.

Claims managers and adjusters can use the toolkit to conduct an on-demand analysis that identifies the factors driving claim complexity and attorney involvement. They can also review the providers and attorneys that affect costs within a group of claims to ascertain their macro impact versus what happens in a single claim. The analysis is based on the predicted complexity of claims and is case-mix adjusted to offer a more precise and in-depth look than the average severity and frequency levels commonly found today.

The application provides for the easy identification of providers utilized by insured location, division, group, or any other breakdown based on fields in the claims system that can be used for identification of the desired population. Because the new tool tracks trends over time, it is able to rapidly identify potential high-severity claims. Machine learning-based alerts are triggered when adverse trends occur so that claims teams can make necessary adjustments. Users do not have to wait for alerts to get an accurate read on what is happening with a group of claims or to see the big picture. They can easily create custom dashboard views with extensive filters to generate reports to guide decisions based on up-to-the-minute data.

Please see **Exhibit C: TRISTAR Connect Overview and Screenshots** and **Exhibit D: Claims System Sample Reports** for more information.

- Notifications- describe how MTD will be alerted to key actions in processing of claims and how losses will be reported, as well as communicating patterns of late reporting (over 5 days), and when reserve levels change. Where available, MTD desires to utilize and track such activity through the RMIS portal.

CLIENT COMMUNICATION. TRISTAR's policy and practice is to work in collaboration and partnership with our clients, including providing proactive client services. This may include, but not be limited to:

- ***Day-to-Day Claim Management.*** Return-to-work, authorizations and approvals, reserve, payment or settlement authorities, closure strategy, as well as, the patterns of late reporting requested by MTD
- ***Sensitive or Severe Claims/Incidents.*** In these instances, TRISTAR will communicate with MTD in its preferred method which may include specific forms that are emailed or mailed, telephonic roundtable strategy discussions that may involve the MTD, claims professionals, and specialists such as nurses, attorneys, and investigators, etc.
  - Catastrophic injuries
  - Claims that may involve public relations/media coverage
  - Suspicious or potentially fraudulent claims

- ◊ Cases with potential to produce precedent
- ◊ Politically sensitive claims

- ♦ ***Regular Reporting.*** Weekly, Monthly, Quarterly, Annual, Etc.
  - ◊ TRISTAR's program manager will assure that MTD receives its periodic, regularly scheduled reports, which may include email delivery and/or delivery within the TRISTAR Connect system.
  - ◊ TRISTAR will also provide assistance to address any necessary ad hoc reporting needs.
- ♦ ***Claim Review Meetings.*** Quarterly or as otherwise requested to formally review claims meeting MTD thresholds (incurred value, injury/incident type, litigated, etc.) or as specifically requested
- ♦ ***Trends in Claim Outcomes***
  - ◊ TRISTAR's program manager will regularly monitor MTD's program to identify successes, opportunities for improvement, patterns in injuries and potential opportunities to reduce claim frequency or severity.
  - ◊ These trend reports will be presented at an annual stewardship review meeting, or as otherwise requested by MTD
- ♦ ***Opportunities for Service Efficiencies or Enhancements.*** Should TRISTAR identify opportunities to improve service to MTD, such as improvement of workflows, communication, enhanced service opportunities, we will bring those opportunities to the attention of MTD for discussion.
- ♦ ***Service Challenges.*** TRISTAR will notify MTD via telephone call, and document via email or letter, and update any forms or manuals to appropriately address any necessary changes. Should TRISTAR identify areas of potential concern, we will promptly raise those issues to MTD with an action plan for resolution.

CLAIM REPORTING. TRISTAR offers multiple reporting options, including web-based claims forms, on-line claim access, data exchange, email, facsimile, and a call center for telephonic reporting. Reporting services are available 24/7. The prompt reporting and receipt of claims play a critical role in the timely resolution of claims.

- ♦ ***Web-Based Online Claim Forms***. TRISTAR can develop web-based reporting that provides access to an electronic template to complete injury reports and upload data to the TRISTAR claim system.
- ♦ ***Online Access Reporting.*** Through online access, a client may report new claims entered directly into the TRISTAR claims system. The user-friendly claim entry process includes all required information on a single screen. When the employer enters the claim into the system, it is immediately available for review and verification by the adjuster. Using our software, MTD can access our database and enter claims directly into the system with the appropriate loss coding. The system automatically lists MTD's customized locations, occupations, and department codes to minimize data entry.
- ♦ ***Electronic Data Interface (EDI).*** TRISTAR can develop an interface to accept claims from an electronic file provided from MTD's RMIS claim management system, if applicable.
- ♦ ***Telephonic Reporting.*** Telephonic reporting can include a call directly to the adjuster or accessing a call center to intake claims. The employee, risk management department, or a supervisor can report an injury. The call center can take claim information to provide the employee report of injury information to the client and the adjuster.
  - ◊ Toll-Free Number
  - ◊ Available 24/7
  - ◊ Staffed by medical assistant personnel
  - ◊ Designated intake team

- ◊ Recorded calls
- ◊ Calls are directly linked with the claim system
- ◊ Language translators and interpreters through Priority Care Solutions, a nationwide network for over 200 languages including TTY and ASL
- ◊ Bilingual Spanish intake available upon request or scheduled intake time

The call center transmits the employee's report of injury information into the claim system that can generate the employer's first report (FROI). Regardless of who reports a claim, the call center enters the claim directly into the claim system as a pending claim and notifies the client and the adjuster.

The call center captures the receipt date for claims reported in the claim system. The call center staff inputs claimant demographic and claim information for submittal for electronic submission to the designated claim unit based on the type of claim (Workers' Compensation, Disability, FMLA).

TRISTAR has voice recording and utilizes a WAV file to store recorded telephonic files. The call center records all phone calls. TRISTAR can also provide reports indicating the number of calls, type of calls, time of call, etc. Calls may be available for review by the MTD in accordance with state and federal regulations.

TRISTAR has an internal and external plan to handle claim reporting in the event the call center is unable to operate. This includes designated offices and staff who are cross-trained, and in extenuating services, an outside vendor familiar with our organization and intake processes.

Benefits:

- ◊ One centralized reporting process
- ◊ Encourages prompt and accurate reporting
- ◊ Increases efficiencies for the employer
- ◊ Call center can provide PPO Network direction
- ◊ Services can be linked with Nurse Triage
- ◊ Adjuster and MTD notification within one business day
- ◊ WAV file is stored in the claim system (electronic file)
- ◊ Fee for service can be allocated to the claim file

TRISTAR can develop customized criteria for referral to a nurse for clinical review or for the determination of early intervention if indicated. This saves our customers 30-55% of reporting costs typically staffed by medical personnel.

- ♦ ***Nurse Triage or Clinical Review/Early Intervention.*** Timely incident reporting is crucial to mitigating costs of workplace injuries. According to a study conducted by Liberty Mutual, the following increase in expense occurs with each delay in reporting:

  - ◊ 4-7 Days: 9%
  - ◊ 1-2 Weeks: 20%
  - ◊ 2-3 Weeks: 32%
  - ◊ 3-4 Weeks: 48%
  - ◊ 5+ Weeks: 72%

> *"I recommend nurse triage for anyone looking to support their employees and managers, and bring down their workers' compensation costs overall."*
>
> –Katrina Bray, Disability Case Manager, California Water Service/TRISTAR Client

TRISTAR's nurse triage model helps to assure timely reporting and has proven effective in reducing not only the severity but the incidence of claims. Our US-based, 24-hour call center is accessed via a toll-free phone number and is staffed by highly skilled nurse case manager personnel who capture pertinent medical details. When an injured employee (or supervisor) reaches our nurse triage call center, we can customize our triage intake script to each client's needs. Utilizing medical triage guidelines, the nurse aids the injured worker in self-treatment, sets up an appointment with an appropriate provider, or sets up an immediate telemedicine appointment, including follow up calls and transfer to claim team and/or early intervention nurse, if any. All calls are recorded and available to our adjusters, managers, and the client.

- Loss Control- an outline of the loss control services provided by your Loss Control Department and what services will be provided to MTD. Upon contract award, MTD will work with the loss control coordinator to design a checklist so there is uniformity in assessments and opportunities generated.

TRISTAR Loss Control Company, Aspen, can assist MTD Risk Management staff in leading, managing, and supporting members with onsite and remote consultation. These services may include webinars, onsite hazard evaluations, program development, specialized training, and leadership development. Our team of safety professionals can supplement and increase current training offerings in the areas of transportation and transit. We have experience in managing unique exposures such as public safety, parks and recreation, water sanitation, and public buildings.

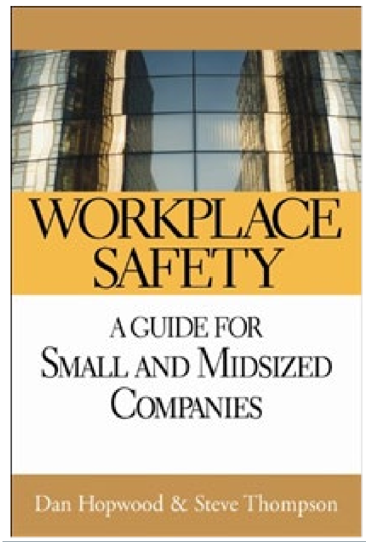


Figure 9: *A copy of a book written by two of our consultants is available upon request*

Aspen also conducts ergonomic assessments and solves ergonomic problems onsite and online through its team of ERGOhealthy Coaches. We work with people in traditional business, telecommuting, remote office, school, and home office environments. Services include remote office ergonomic assessments, online ergonomic resource centers (customized to each client), and various ergonomic training such as Ergonomic First Responder, and Ergonomics 101.

For our transportation and public entity clients, musculoskeletal injuries are leading causes of employee pain and suffering so we have worked extensively to help implement programs to minimize these exposures, including sound ergonomics (for driver/operators, and mechanics). We provide customized solutions which starts with an extensive needs assessment to determine a best course of action for each of our clients. Together we develop an annual plan of action to address way to enhance safety, health, and liability programs throughout the organization. So of our services and experience includes:

- Written safety plans, training and coaching
- Onsite safety visits
- Cal-OSHA and OSHA compliance and mock inspections
- Job Safety Analysis as part safety program development
- Safety program development
- Safety audits
- Safety culture survey

Experience & Skill Sets include:

- Complete working knowledge of occupational health & workplace safety programs policy development
- Understanding of key transportation and public works safety issues

- Former safety professionals with regional bus service experience
- Experienced with night work, shift work, working alone / isolated
- Remote Assessments for work or home offices
- First-responder & Train-the-Trainer training for ergonomics

DATA/REPORTING: TRISTAR's system provides a number of fields that, when reported on, can provide actionable loss control trend data. These fields include types of injuries, body parts, cause of injury, incident type, locations, claimant age, job descriptions, etc. Our system offers robust reporting capability to help illuminate trends in employee injuries and incidents, which MTD can translate into actionable plans to mitigate risk.

SAFETY VIDEO NETWORK LIBRARY: TRISTAR offers an online, streaming safety video library, which may be made available to MTD at no additional cost. Key features include:

- 24/7 availability via internet access
- Topic based organization – lets client users find videos quickly
- Robust site search – can search by title, product number, product name, etc.
- Additional material such as certificates of completion and quizzes available on many videos
- Completely mobile compatible – all videos and all devices
- Over 700 titles with more than 365 also available in Spanish
- Closed captioning for all videos
- Constantly updated - new videos added as released

Additional Information- a description of any services not previously covered which may be of particular value to MTD and if the programs or resource is included in the proposal price or is an additional cost option.

TRISTAR offers a variety of cost containment strategies for clients at an additional cost typically billed to the claim file as ALAE, including managed care programs that include 24/7 call center, nurse triage, early intervention, predictive return to work modeling, telephonic and field case management, physician review, treatment protocols, and customized wellness programs and more. Our bill review audit, MPN, and PPO network access programs are part of our cost containment strategies. Our ability to negotiate the best price nationally affords our customers the best outcomes.

MEDICAL BILL REVIEW. TRISTAR reviews all types of medical bills, including, but not limited to: medical provider bills, facility fees, prescription invoices, radiology, durable medical equipment, and other ancillary service invoices. TRISTAR also reviews non-medical bills or "pass-through" bills, as applicable. TRISTAR is responsible for entering all bill review information into our bill review software accurately and completely. We will track the receipt, input, and processing time and accuracy of each bill submitted.

TELEPHONIC NURSE TRIAGE. TRISTAR's nurse triage model helps to assure timely reporting and has proven effective in reducing not only the severity but the incidence of claims. Our US-based, in-house 24-hour call center is accessed via a toll-free phone number and is staffed by highly skilled nurse case manager personnel who capture pertinent medical details. When an injured employee (or supervisor) reaches our nurse triage call center, we can customize our triage intake script to each client's needs. The nurse aids the injured worker in self-treatment or sets up appointments with the appropriate provider utilizing medical triage guidelines, including follow up calls and transfer to claim team and/or early intervention nurse, if any. All calls are recorded and available to our adjusters, managers, and the client.

NURSE CASE MANAGEMENT. TRISTAR defines medical case management as the establishment and coordination of a treatment plan that is medically appropriate and enforces the application of the treatment plan. We are committed to improving the quality of care and controlling costs while managing treatment to ensure optimum outcomes. Medical case managers maintain contact with employees, doctors, claims professionals to control medical utilization, obtain enhanced injured employee compliance with optimal treatment protocols, and expedite return to work. Telephonic and Field Case Management can be an integral part of an interdisciplinary team to facilitate open communication with the common goal of return-to-work, coordination of care, and return to health for the injured worker. It is the case manager's goal to promote quality, timely, and cost-effective outcomes. The case manager works with the employer to identify claims with a high frequency and meet the specific challenges within the organization. Case managers work closely with the injured worker, health care provider, and the departments to facilitate timely and appropriate medical care and coordinate a safe and timely return to work.

PHARMACY BENEFITS MANAGEMENT. TRISTAR offers an in-house Pharmacy Benefit Management program and pharmacy networks. This program has a nearly 100% network penetration due to relationships with the largest pharmacy chains (e.g., Walgreens, CVS, Rite Aid, etc.) as well as an extensive home delivery program.

UTILIZATION REVIEW. TRISTAR is a URAC-accredited provider of workers' compensation utilization management services. The URAC accreditation seal demonstrates TRISTAR's commitment to quality, nationally recognized guidelines, and evidence-based medicine. MTD can be confident that TRISTAR's processes meet widely recognized national standards and respect patients' and providers' rights.

urac ACCREDITED
Workers' Compensation Utilization Management
Expires 06/01/2021

PHARMACY UTILIZATION REVIEW. The control and management of opioids and other narcotics are crucial to effective workers' compensation claims management. While narcotics and opioids may be necessary for the management of chronic pain, a multidisciplinary approach involving the physician, the injured worker, and the pharmacy expert is needed to establish a medication regimen with measurable treatment goals that focus on the patient's safety. Our proprietary formulary design flags opioids and other narcotics and forwards any alerts to our pharmacy Utilization Review professionals. TRISTAR's approach is to prevent initial narcotic prescriptions. When indicated, we follow the CDC's "go low, go slow" guidelines. Our formulary review also checks to ensure that contraindicated medications are not prescribed. At the point of sale, the health professional will review the medical information to determine if the medication is appropriate. Should we identify the potential for abuse or misuse, our pharmacy utilization review professional will work with the treating physician to ensure the medication is weaned appropriately. In instances where the treating provider is not cooperative, we have access to multi-specialty physicians to assist with weaning.

CALIFORNIA MPN. An MPN provides contracted control of medical fees and expectations for medical treatment outcomes. Injured workers are treated by a network of medical providers who are properly credentialed and competent to treat occupational injuries. Using an MPN for treating occupational injuries and illnesses gives employers medical control for the life of the claim, with limited exceptions.

TRISTAR offers two MPN services: TRISTAR Plus MPN, in which TRISTAR is the network service entity. We also have access to Harbor One, in which Harbor One is the network service entity. We can also establish a highly customized, boutique MPN or MPO for MTD.

A boutique MPN provides increased flexibility to choose only specific providers to participate within the network. This option is best suited to clients that desire full control of the network, including prompt additions and suppressions of providers. A boutique MPN is designed to meet all of needs and requirements of the client, therefore a high degree of effort is required for the set-up, maintenance, and support, but they also afford full control over the network.

PPO NETWORKS. TRISTAR has many of its own national and regional PPO contracts, and additionally, TRISTAR provides access to a multitude of national PPO networks to maximize reductions. This provides network access for our clients to drive higher penetration rates and more considerable savings. TRISTAR's access to PPO networks provide broad geographical coverage and result in reductions more significant than other bill review service providers and access for injured workers' who may be seeking treatment outside of MTD's primary jurisdiction.

TELEMEDICINE. The program offered to MTD for telemedicine utilizes physicians who are occupational physicians specializing in work-related injuries and illnesses or specialty providers based on the type of injury. Physician charges for evaluation and management are fee scheduled with a PPO discount for MTD, the same as if the employee was seen in the doctor's office. TRISTAR utilizes Concentra for this program, and the member can designate Concentra Telemedicine as one of its designated providers. TRISTAR has set up customized workflow processes to provide work status, medical records to authorized personnel after an employee has utilized telemedicine.

ORTHO-SPINE NETWORK. TRISTAR has implemented an ambulatory surgical network that we believe will benefit MTD and its employees. Provided through Paradigm, this surgical and implant specialty network has unmatched surgical industry knowledge and stakeholder relationships. The network physicians have a comprehensive understanding of workers' compensation workflow and provider/physician dynamics required to manage the administration of a complex network category. The network is a comprehensive, outcomes-based, and quality based Surgeon and Ambulatory Surgical Networks for workers' compensation payers like MTD.

TRISTAR has established relationships with specialty service providers for durable medical equipment programs, radiology services, physical therapy and physical medicine, implantable devices, translation, transportation, AOE/COE, surveillance and fraud investigations, Medicare-Set-Aside, and structured settlement services and negotiated appraisal services. These programs are an integral part of our services. Electronic interfaces with service providers provide TRISTAR with the ability to continue its own paperless, document technology enhancements for our programs.

Additionally, TRISTAR has legal cost containment programs that include negotiated rates, litigation budget expectations, and recommended legal referral. All staff is trained to identify and pursue subrogation opportunities.

TAB

3.2

MTD FORMS

3.2 MTD FORMS

Price Proposal

Proposal shall include the fully completed and signed Price Proposal form included in this RFP package showing the total compensation for carrying out the project under the terms of the Agreement. Failure to include a completed and signed price proposal using the provided form will render a proposal non-responsive and it will be rejected.

At TRISTAR, we believe that you should have a clear understanding of the price we charge for our services. We are straightforward regarding our methodology, open to discussion relative to our assumptions and cost estimates, and receptive to any alternatives that you would like us to consider. Since our experience has proven that improper focus on administrative costs does not achieve the goal of properly managing total claim disposal costs, we will work with you to strike a proper balance between controlling administrative expenses and providing the appropriate level of resources to realize the best economic outcomes on your claims. We have utilized the desired service specifications to develop our price offerings. Should a material difference be discovered in the historical data and other information provided by you or your representative that we relied on to provide this proposal, TRISTAR reserves the right to make fee adjustments as necessary. For all fee arrangements quoted, our claim service fees do not include services defined as Allocated Loss Adjustment Expense, whether such services are performed by employees of TRISTAR or others. Please read further for the full definition.

Flat Fee Language We believe that MTD's and TRISTAR's interests will be most closely aligned with a flat annual fee approach. A flat annual fee is a straightforward, transparent pricing mechanism that is easily administered by both parties, easily monitored by you and your auditors, and predictable for balance sheet and cash-flow purposes. It operates at reduced margins, as our operating risks are significantly reduced. There may be issues of which we both are unaware which impact the costs associated with providing superior service. A flat annual fee will allow us both the freedom to deal with these issues as they arise and make proper business decisions unencumbered by pricing concerns. Should your service needs change; flat annual fees will change to enable us to meet them. The flat annual fee includes **Claim Services and Account Administration**, as defined below.

CLAIMS SERVICE FEES INCLUDE:

- Complete and thorough "desk" investigation of all claims reported, including recorded statements where necessary, in accordance with TRISTAR's Best Practices and any special service agreements made with MTD
- Evaluation of liability and damages to establish appropriate reserves
- Reserve Advisories at MTD-designated levels
- Notification/reporting to MTD in accord with our service agreements
- Adjustment and payment of compensable claims
- Litigation Planning and Management
- Employment of anti-fraud measures including assignment and direction of investigators to reduce the possibility of payment of non-compensable claims (services of special investigators not included)
- Maintenance of a record of all investigation, payment and adjustment activities within TRISTAR's claims system and files
- Pre-Settlement Advisories
- Structured Settlement Management (cost of structures not included)
- Large Loss Notices/Email Alerts

- Claim Acknowledgements
- Closing Notices
- Status Reports – Initial at 30 days/90 days thereafter until closure, or as otherwise agreed
- Subrogation/Recovery/Restitution – **No** Additional Recovery/Recovery Fee Charged for TRISTAR's pursuit of subrogation
- Conference calls with legal counsel, and other ancillary providers as necessary or requested

ANNUAL ACCOUNT ADMINISTRATION Includes: ***No Charge***

- Account Management
- Implementation Planning and Management
- MTD-Specific Claims Handling Instructions
- Account Set-Up
- Quality Assurance Management and Review
- Bank Account Management and Reconciliation (TRISTAR Accounts Only)
- Customer Meetings
- Carrier Audits
- Annual Stewardship Meeting/Report and Analytical Review
- 1099 Form Preparation
- Reporting for brokers, actuaries, consultants, and excess carriers
- Client Education Programs
- Development of Policies and Procedures

RISK MANAGEMENT INFORMATION SYSTEMS ACCESS Includes: ***No Charge***

- TRISTAR Connect User IDs
- Customer Hierarchy and Organizational Structure maintenance
- System Access to Losses, Financials, and Reserves
- Adjuster and Supervisory Notes Access
- Report Templates
- Scheduled Reports
- OSHA Logs, if desired
- State Annual and Periodic Reporting as required
- Periodic Cost Containment Reports
- Claim System Training, Help Desk Access, and Customer Service Unit Support

DATA CONVERSION AND/OR ELECTRONIC DATA INTERFACE Includes: ***No Charge /EDI $150 per hour[1]/***

- Mapping/Plotting of data elements
- Test runs/Exception reports and correction of any data flows
- Converting data over to TRISTAR's system
- Balancing financials (reserves and paid amounts)
- Storage of claim records

[1] Upon receipt of data layouts and other relevant information to determine an accurate scope of work for each conversion or interface required, TRISTAR may offer a flat rate to provide data conversion or custom interface services.

Claim service fees quoted presume the use of TRISTAR Managed Care services, in accordance with the rates outlined on the Preferred Provider Specialty Services page.

Please see the following page for the **Price Proposal form**.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

Request for Proposals for Workers' Compensation Third-Party Administration

PRICE PROPOSAL

Claims Administration	Price
Fixed Price for TPA Services, January 1, 2021 – June 30, 2021 (six-month period)	$ 30,973
Fixed Price for TPA Services, July 1, 2021 – June 30, 2022 (twelve-month period)	$ 61,875
Fixed Price for TPA Services, July 1, 2022 – June 30, 2023 (twelve-month period)	$ 63,731
Fixed Price for TPA Services, July 1, 2023 – June 30, 2024 (twelve-month period)	$ 65,643
TOTAL Base Price for TPA Services for Claims Administration for the period January 1, 2021 through June 30, 2024	$ 222,222
Fixed Price for TPA Services, option year July 1, 2024 – June 30, 2025 (twelve-month period)	$ 67,612
Fixed Price for TPA Services, option year July 1, 2025 – June 30, 2026 (twelve-month period)	$ 69,641
TOTAL Price for Option Years for TPA Services for Claims Administration for the period July 1, 2024 through June 30, 2026	$ 137,253
TOTAL Proposed Price for Base plus all Option Years for TPA Services for Claims Administration for the period January 1, 2021 through June 30, 2026	$ 359,475

The Bidder hereby represents and warrants that:

1. It has sufficiently informed itself in all matters affecting the performance of the work, or the furnishing of the labor, services, software, supplies, material, or equipment called for in carrying out the project.
2. It has reviewed the contract documents including the *MTD Master Agreement*, the *Federal Transit Administration Contract Provisions*, and the *Scope of Services*, and agrees to the terms and conditions thereof.
3. Its bid has been thoroughly checked for errors and omissions and the costs, prices, hours, rates, and any other constituents of this Price Bid are a complete and correct statement of its price for performing all project work required by the contract documents.
4. Its bid is genuine, not sham or collusive, nor made in the interest of any person not herein named; that it has not in any illegal manner sought to secure for itself any advantage over any other bidder.
5. Its bid, including this Price Bid, is valid for 90 days following the bid due date and time.

[signature]	10/8/2020
Authorized Official Signature	Date of Signature
Thomas J. Veale	President
Authorized Official Name	Authorized Official Title

TRISTAR Risk Management

Business Name of Bidder

PREFERRED PROVIDER SPECIALTY SERVICES IN 2020. Fees listed are for Preferred Provider Specialty Services. These fees are paid as Allocated Loss Adjustment Expenses or, where required by state law, as loss.

Fees as of May 20, 2020, are subject to change without notice.

Service	Fee
MANAGED CARE	
Medical Bill Review	
Provider/Ancillary Bill Review	$9 per bill
Hospital Bill Review (in and outpatient)	12% of savings
Clinical Nurse Review	27% of savings
Implantable Device Review	30% of savings
PPO/Pharmacy/DME	27% of Savings (all savings are post fee schedule or U&C)
Specialty Bill/Out of Network Review	30% of Savings (all savings are post fee schedule or U&C)
e-billing	$1 per bill
Historical Bill Review Conversion	$2,000 One Time Fee at Implementation
Duplicate Bills Duplicate Line Items Monthly Savings Reporting	No Charge
Utilization Review	
Pre-clinical review	$25 per pre-clinical review. Fee waived if case proceeds to utilization review
Pre-Certification (In- or Out-Patient and medications)	$140 per pre-certification
Concurrent Review (Review during hospitalization or outpatient treatment, as treatment progresses to ensure duration and type of treatment meet appropriate guidelines)	$125 per hour
Peer Review	
Level 1 (Includes review of medical records and communication of decision in writing to all parties)	$275 flat rate for peer review of episodes of care identified on medical bill review.
Level 2 (Includes review of medical records, discussion with treating physician and communication of decision in writing to all parties)	$295 flat rate when assigned by a nurse case manager following case manager file review, or receipt of a referral by adjuster for review.
Enhanced Intake and Nurse Triage	
Enhanced Telephonic First Notice (Operator service by medical assistants. Injured employee and/or supervisor calls to report claims, assistance with PPO direction, questions, and referrals. Optional integration with nurse triage services.)	$25 per intake call (waived if call moves to triage)
Telephonic Nurse Triage (Nurse aids injured worker in self-treatment or sets up an appointment with appropriate provider utilizing medical triage guidelines/follow up calls)	$120 per intake call
Nurse Case Management	
Telephonic Case Management (California)	$125 per hour
Field Case Management (California)	$130 per hour *plus Mileage at IRS mileage rate*

Field Case Management - Tasks	One time visit to provider Two visits to provider Medical record retrieval Job Analysis	$475 plus mileage $750 plus mileage $135 plus mileage $475 plus mileage
Catastrophic Case Management (High level of RN interaction with immediate response to significant injury, e.g., severe head injury, severe burns, gunshot. Available 24/7)	$175 per hour plus mileage	
Pharmacy		
Clinician Intervention: Complex Pharmacy Management, Weaning Protocols (Weaning available when opioids have been prescribed for 60+ days with no evidence that physician will end treatment pattern.)	$125 per hour	
Physician Intervention: Complex Pharmacy Management. (Utilized in instances of numerous drug interactions of opioids, hypnotics, and anti-depressants, requiring a physician-to-physician review of treatment pattern and weaning options. Follow up calls made by nurse case manager.)	$125 per hour nursing intervention **plus** pass through of actual physician fees	
Drug Testing: Full, Quantitative Testing (Candidates may be referred or identified by TMC based on risk factors such as claim age, high medication use, safety risk, injury type, etc.)	$425 per test with report summary	
Drug Testing Interpretation and Outreach: Complex Pharmacy Management, Weaning (Pharmacist to review and interpret drug testing results. Findings would be communicated to the examiner and/or provider, where permitted, with the goals of ensuring patient safety and reducing fraud, waste, and abuse.)	$125 per hour	
Pharmacist Medication Review:		
1-2 medications with full record review and recommendations	$450 flat rate	
3-6 medications with full record review and recommendations	$675 flat rate	
7 or more medications with full record review/recommendations	$900 flat rate	
Other Networks		
California Medical Provider Networks (MPN)	**Standard MPN:** $5 per bill (plus medical bill review fee) **Custom MPN:** Available upon request	

Other Services	
Special Investigations	Outsourced, at cost – typically $89-95 per hour
Central Index Bureau/OFAC/CSE/SS	$18 per report
MSA Cost Projection	$2,100 flat rate
Claim Reporting: Fax or Internet	No Charge
MMSEA Reporting	$10 per claim
Mileage	IRS allowance rate

ALLOCATED LOSS ADJUSTMENT EXPENSES includes any fee or expense which is chargeable or attributable to the investigation, coverage analysis, adjustment, negotiation, settlement, defense or general handling of any Claim or action related thereto, or to the protection and/or perfection of the Customer and/or Carrier's right of subrogation, contribution or indemnification, all as reasonably determined by TRISTAR. Allocated Loss Adjustment Expense(s) may be incurred for services provided by TRISTAR, its affiliates and subsidiaries, or third parties and include, but are not limited to:

- attorney's fees and disbursements incurred in connection with the determination of coverage and/or the adjustment, defense, negotiation or settlement of any Claim; attorney's fees incurred for representation at depositions, hearings, pretrial conferences and/or trials;
- fees and expenses incurred for: handling any Alternative Dispute Resolution (ADR) proceeding; legal actions, including trials or appeals; pursuing any declaratory judgment action, including deposition fees; cost of appeal bonds; court reporter or stenographic services, filing fees, and other court costs, fees and expenses; transcript or printing services and all discovery expenses; service of process; witnesses' testimony, opinions, or attendance at hearings or trial;
- fees and expenses for attendance at or participation in ADR proceedings, hearings, trials or other proceedings by TRISTAR personnel or its subcontractors;
- statutory fines or penalties; pre- and post-judgment interest paid as a result of litigation, unless regulatory or reporting requirements define such interest as loss or indemnity payments;
- subcontractors' fees and travel expenses, including independent adjusters, automobile and property appraisers, to the extent that same are incurred in the adjustment, negotiation, settlement or defense of any Claim;
- fees and expenses incurred in conjunction with the telephonic, web, or other electronic methods of reporting Claims;
- experts' fees and expenses including reconstruction experts, engineers, photographers, accountants, economists, metallurgists, cartographers, architects, hand-writing experts, physicians, appraisers and other natural and physical science experts, plus the fees and expenses associated with preparation of expert reports, depositions, and testimony;
- fees and expenses for surveillance, undercover operative and detective services or any other investigations;
- fees and expenses for medical examinations, or autopsies, including diagnostic services, and related transportation services; durable medical equipment; and medical reports and rehabilitation evaluations, unless regulatory or reporting requirements define such fees and expenses as loss or indemnity payments;
- fees and expenses for any public records, medical records, credit bureau reports, index bureau reports, and other like reports;
- fees and expenses incurred where TRISTAR determines it is reasonable to pursue the rights of contribution, indemnification or subrogation of the Customer, including attorney and collection agency fees and/or expenses;
- medical or vocational rehabilitation fees and expenses, and all other medical cost containment services, including, but not limited to utilization review and management, pre-audit admission authorization, hospital bill audit or adjudication, provider bill audit or adjudication, and medical case management, if applicable, unless regulatory or reporting requirements define such expenses as loss or indemnity payments; and
- extraordinary travel and related fees and expenses incurred by TRISTAR at the express request of Customer, which are not otherwise payable under this Agreement.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

Request for Proposals for Workers' Compensation Third-Party Administration

ACKNOWLEDGEMENT OF ADDENDA

The undersigned acknowledges the Offeror's receipt of the following addenda to this RFP and has incorporated information or changes in said addenda within its submittal (if no addenda were received, write "None" in the first blank):

Addendum No.	1	dated	10/1/2020
Addendum No.		dated	
Addendum No.		dated	
Addendum No.		dated	
Addendum No.		dated	
Addendum No.		dated	

Note: It is the Offeror's responsibility to ensure it receives all addenda which are posted on the MTD website at http://www.sbmtd.gov/about/doing-business/.

[signature]	10/8/2020
Authorized Official Signature	Date of Signature
Thomas J. Veale	President
Authorized Official Name	Authorized Official Title

TRISTAR Risk Management

Business Name of Bidder

(Signer must match authorized official shown on Bidder Information form)

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

Request for Proposals for Workers' Compensation Third-Party Administration

LOBBYING CERTIFICATION

The undersigned certifies to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for making lobbying contacts to an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form--LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions [as amended by "Government wide Guidance for New Restrictions on Lobbying," 61 Fed. Reg. 1413 (1/19/96). Note: Language in paragraph (2) herein has been modified in accordance with Section 10 of the Lobbying Disclosure Act of 1995 (P.L. 104-65, to be codified at 2 U.S.C. 1601, *et seq.*)]

(3) The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by 31, U.S.C. § 1352 (as amended by the Lobbying Disclosure Act of 1995). Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

The Contractor certifies or affirms the truthfulness and accuracy of each statement of its certification and disclosure, if any. In addition, the Contractor understands and agrees that the provisions of 31 U.S.C. A 3801, *et seq.*, apply to this certification and disclosure, if any.

[signature]	10/8/2020
Authorized Official Signature	Date of Signature
Thomas J. Veale	President
Authorized Official Name	Authorized Official Title
TRISTAR Risk Management	
Business Name of Vendor	

(Signer must match authorized official shown on Bidder Information form)

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
Request for Proposals for Workers' Compensation Third-Party Administration
NONCOLLUSION DECLARATION

The undersigned declares:

I am the President (title) of TRISTAR Risk Management (business name of bidder), the party making the included bid.

The bid is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation. The bid is genuine and not collusive or sham. The bidder has not directly or indirectly induced or solicited any other bidder to put in a false or sham bid. The bidder has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham bid, or to refrain from bidding. The bidder has not in any manner, directly or indirectly, sought by agreement, communication, or conference with anyone to fix the bid price of the bidder or any other bidder, or to fix any overhead, profit, or cost element of the bid price, or of that of any other bidder. All statements contained in the bid are true. The bidder has not, directly or indirectly, submitted his or her bid price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, to any corporation, partnership, company, association, organization, bid depository, or to any member or agent thereof, to effectuate a collusive or sham bid, and has not paid, and will not pay, any person or entity for such purpose.

Any person executing this declaration on behalf of a bidder that is a corporation, partnership, joint venture, limited liability company, limited liability partnership, or any other entity, hereby represents that he or she has full power to execute, and does execute, this declaration on behalf of the bidder.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on 10/8/2020 (date), at Long Beach (city), California (state).

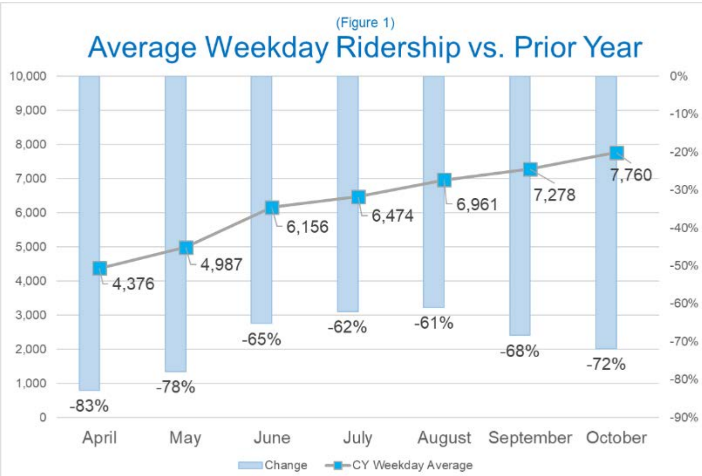
Authorized Official Signature	Thomas J. Veale Authorized Official Name (printed)

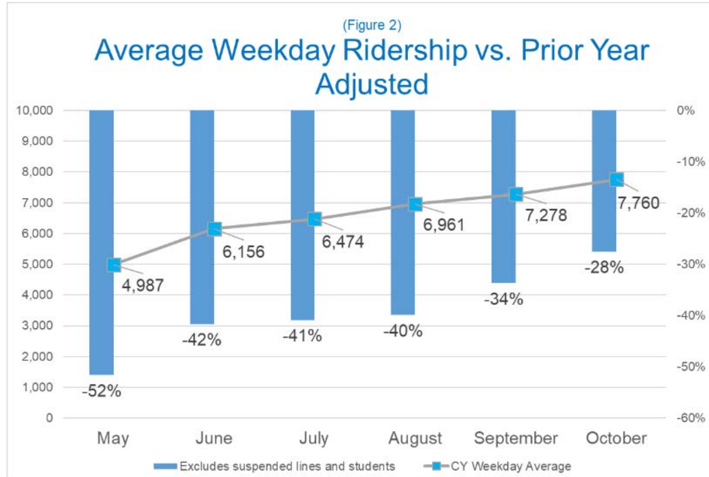
COMPENSATION CERTIFICATION

I am aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

Authorized Official Signature	10/8/2020 Date of Signature
Thomas J. Veale Authorized Official Name	President Authorized Official Title

To: MTD Board of Directors
From: Jerry Estrada, General Manager
Date: November 17, 2020
Subject: General Manager's Report





Ridership continues to gradually return as average weekday ridership of 7,278 in September increased to 7,760 in October. Pre-pandemic, October was considered a month that would reflect MTD's peak ridership levels as UCSB, SBCC and local educational institutions would all be in session. Due to the delay of full on campus instruction, MTD continues to suspend a number of routes dedicated to supporting the aforementioned schools. Figure 1 above indicates a 72% reduction in the average weekday ridership for October versus prior year results. However, Figure 2's prior year ridership statistics have been adjusted to reflect the suspension of routes and lack of on campus instruction for our local schools. As a result, Figure 2 indicates a 28% reduction in average weekday ridership for the month of October compared to prior year results. We believe this trend illustrates that MTD's general ridership continues to recover from month-to-month despite the maximum passengers load restriction and the ongoing effect of the pandemic.

Staff will be submitting MTD's California Energy Commission Blueprints for Medium- and Heavy-Duty Zero-Emission Vehicle Infrastructure (GFO-20-601) grant application prior to the November 13 deadline. It is anticipated that proposed awards will be announced by December 2020 (such awards are contingent upon Energy Commission approval). If MTD's project is awarded, the kick-off meeting with all of the project partners will take place at the end of January.

Planning and Marketing Manager Hillary Blackerby will present on a panel titled "Responding to COVID-19: Planning Your Recovery" as part of the California Transit Association's virtual Fall Conference and Expo on November 18.

MTD Director of Human Resources and Risk, Mary Gregg, is certified as a Basic Operator Breath Alcohol Technician (BAT) to serve as an additional resource to conduct testing under the Drug and Alcohol Testing Program mandated by the Federal Transit Administration (FTA). Currently MTD utilizes Sansum Occupational Medical Clinic for all alcohol testing required by the FTA under

49 CFR Part 655, and MTD's Drug and Alcohol Testing program. Ms. Gregg recently successfully completed Provisional Instructor certification through Lifeloc Technologies, meeting the proficiency requirements required by 49 CFR Part 40 to allow her to train and certify other MTD employees to become Basic Operator alcohol testing technicians.

Staff attended meetings of the Santa Barbara County Association of Governments' (SBCAG's) Joint Technical Advisory Committee (JTAC) and Technical Transportation Advisory Committee (TTAC) on November 5. JTAC recommended that the SBCAG Board select Scenario 1: TOD/Infill, + Enhanced Transit Strategy for the ongoing update of the Regional Transportation Plan - Sustainable Communities Strategy (RTP-SCS), named "Connected 2050." This is the same scenario that was selected for the current RTP-SCS. JTAC also received an update on the California State Transportation Agency (CalSTA) "Climate Action Plan for Transportation Infrastructure" (CAPTI). The goal of the CAPTI is to leverage state transportation spending to help meet the state's climate goals. TTAC recommended that the SBAG Board approve the procedures for two upcoming call for projects: Federal Section 5307 for FY 2022, FY 2023, & FY 2024; and the population-based share of California State of Good Repair (SGR) for FY 2022 through FY 2025. TTAC also received an update on the Draft Measure A Strategic Plan and the Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan. The Federal TIFIA loan, if approved, offers a competitive interest rate and will reduce the need for bonding to complete promised Measure A projects.

Staff will submit the required semi-annual Low Carbon Transit Operations Program (LCTOP) reports on all open LCTOP projects to Caltrans. Staff also submitted the draft FY 2018-19 LCTOP Corrective Action Plan (CAP) to Caltrans for review. Once approved, the CAP will transfer the FY 2018-19 funds into the combined FY 19-20 Microtransit Pilot project.

SBCAG
santa barbara county association of governments
▪ 260 North San Antonio Road., Suite B ▪ Santa Barbara, CA ▪ 93110
▪ Phone: 805/961-8900 ▪ Fax: 805/961-8901 ▪ www.sbcag.org

November 2, 2020

Honorable Mr. Davis, Chair
Attention: Clerk of the Board
SBMTD Board of Directors
550 Olive St.
Santa Barbara, CA 93101

Subject: Measure A Investment Plan Amendment

Dear Mr. Davis and fellow Board Members,

At its October 14, 2020 meeting the Santa Barbara County Association of Governments (SBCAG) held its first public hearing to amend the Santa Barbara County Road Repair, Traffic Relief, and Transportation Safety Measure Ordinance ("Ordinance 5"). If adopted, this will be the sixth amendment to the Ordinance 5. This amendment will modify the Investment Plan South Coast Transit Program to provide flexibility and to allow Measure A South Coast Transit Capital Program funds to be used for operations. (see Attachment A)

Currently, the Santa Barbara Metropolitan Transit District (SBMTD) is able to utilize Federal Transit Administration (FTA) 5307 funding for both operating and capital as a small Urbanized Area (population less than 200,000). If the Santa Barbara Urbanized Area crosses the 200,000-population threshold which is likely to occur as part of the 2020 Census, then SBMTD will be limited to only using FTA 5307 funding for capital.

In anticipation of the Federal funding changes described above, an amendment to the Ordinance 5 and Investment Plan is proposed to allow for greater flexibility in the use of Measure A South Coast Transit Capital Program funds. Any amendment to Ordinance 5 and the Investment Plan requires a 2/3rds approval of the SBCAG Board of Directors, at least nine (9) affirmative votes, after a 10-day publicly noticed public hearing.

The three prerequisites to amend Ordinance 5 and the Investment Plan have been completed:

1. This notice has been provided to the Board of Equalization, Board of Supervisors, to each City Council, and to SBMTD. (Ord. 5 §§ 17.C., 21.B.)
2. The notice of the public hearing was published in the Santa Barbara News Press from October 4, 2020 to October 13, 2020. (Ord. 5 §§ 17.A., 21.A.)
3. On October 14, 2020, the South Coast Subregional Planning Committee recommended approval of the amendment to the SBCAG Board by a majority vote. (Ord. 5 § 17.B.)

If you have any questions regarding Measure A or this amendment, please contact Sarkes Khachek, Director of Programming at sKhachek@sbcag.org.

Sincerely,

Marjie Kirn
Executive Director

Attachment A: Amendment #6 to Ordinance No.

ATTACHMENT A

An Ordinance Amending the Santa Barbara County Road Repair, Traffic Relief, and Transportation Safety Measure

The Santa Barbara County Local Transportation Authority does hereby ordain as follows:

SECTION 1: Ordinance Amendment

The Investment Plan is hereby amended (Amendment #6) to add the underlined language in the project description of Section B.

South Coast Transit Program

Maintain and expand public bus service within and between the cities on the South Coast of Santa Barbara County through two sub-programs.

A.	**South Coast Transit Operations Program**	**$58,000,000**
	Funding for costs related to operating general public bus services, planning, marketing and promotions directly allocated to SBMTD.	
B.	**South Coast Transit Capital *and Operations* Program**	**$27,000,000**
	Funding for transit capital projects *and/or operating general public transit services directly* allocated to SBMTD for general public bus services.	

Please note: new text is italicized and underlined in the description above.

SECTION 2: Parts Not Affected

Those sections of the Santa Barbara County Local Transportation Authority Amending the Investment Plan of the Road Repair, Traffic Relief and Transportation Safety Measure not set forth in this Ordinance shall remain in full force and effect.

SECTION 3: Publication and Effective Date

After a noticed public hearing pursuant to Government Code section 6062, this amendment to the Investment Plan shall become effective 45 days after notice is given to the Board of Supervisors, the City Council of each city in the county, and the Santa Barbara Metropolitan Transit District Board of Directors unless a local jurisdiction or the

Santa Barbara Metropolitan Transit District notifies the Santa Barbara County Association of Governments in writing of its intent to appeal the approval of the Investment Plan amendment. (Santa Barbara County Road Repair, Traffic Relief, and Transportation Safety Measure §§ 17, 21; Pub. Util. Code § 180207.)

PASSED, APPROVED, AND ADOPTED by the Santa Barbara County Local Transportation Authority, this 19th day of November 2020, by following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

____
Terry Contreras
Clerk of the Board

____
Gregg Hart Chair
Santa Barbara County Association
of Governments

APPROVAL AS TO FORM:
Michael C. Ghizzoni
County Counsel

____
Deputy County Counsel