

Request for Proposals for Financial Audit Services
SOLICITATION INSTRUCTIONS
Project Summary Sheet

Project Name: Financial Audit Services

Solicitation Issuance Date: Thursday, February 4, 2021

Project Description: The Santa Barbara Metropolitan Transit District (MTD), a California special district public transit operator, is requesting proposals from qualified accounting firms to perform a financial audit of MTD in compliance with various accounting, federal, and state standards and requirements for its fiscal years ending June 30 of 2021, 2022, and 2023, with an option to extend the contract for the fiscal years ending June 30 of 2024 and 2025.

Project Location: MTD Administrative Offices at 550 Olive Street, Santa Barbara, CA 93101

Pre-Proposal Meeting Date/Time: None

Clarification & Change Request Deadline: Wednesday, February 17, 2021 at 10:00 AM (PST)

Proposal Due Date/Time: Wednesday, March 10, 2021 at 10:00 AM (PST)

Proposal Submittal Method: Electronic submittals via email to purchasing@sbmtd.gov

Board Award Consideration Date: Tuesday, April 20, 2021 (anticipated)

Solicitation Contact: Valerie White, Purchasing Agent, (805) 883-4244, purchasing@sbmtd.gov

Contract Term: Three years, plus one two-year option

Type of Contract: Firm Fixed Price

Other Requirements: Subject to Federal Transit Administration Contract Provisions

Offerors shall be responsible to check MTD's website at <https://sbmtd.gov/about/doing-business/> for updates



Request for Proposals
for
Financial Audit Services

February 4, 2021

Contact:

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

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
Request for Proposals for Financial Audit Services
SOLICITATION INSTRUCTIONS

Table of Contents

1. PROJECT DESCRIPTION 1

2. PRE-SUBMITTAL ACTIVITIES 1

 2.1 Requests for Changes or Clarifications1

 2.2 RFP Modifications & Addenda1

3. PROPOSAL PREPARATION & SUBMITTAL 1

 3.1 Offeror-Prepared Documents1

 3.2 MTD Forms2

 3.3 Electronic Proposal Submittal3

 3.4 Withdrawal of Proposals3

 3.5 Proposal Submittal Stipulations3

4. PROPOSAL EVALUATION..... 3

 4.1 Proposal Deviations & Collusion3

 4.2 Responsiveness.....3

 4.3 Evaluation Committee3

 4.4 Responsibility4

 4.5 Interviews4

 4.6 Best and Final Offer (BAFO).....4

 4.7 Final Evaluation4

5. CONTRACT AWARD 4

 5.1 Award Process4

 5.2 Contract Execution4

 5.3 Option Provisions4

6. PROTEST PROCEDURES 5

Attachment 1: Forms & Certifications

Attachment 2: Scope of Services

Attachment 3: Master Agreement

Attachment 4: Federal Transit Administration Contract Provisions

Attachment 5: MTD FY19-20 Financial Statements & Supplementary Information

Attachment 6: MTD FY19-20 Compliance Reports

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
Request for Proposals for Financial Audit Services
SOLICITATION INSTRUCTIONS

1. PROJECT DESCRIPTION

The Santa Barbara Metropolitan Transit District (MTD), a California special district public transit operator, is requesting proposals from qualified accounting firms to audit MTD's annual financial statements and determine compliance with various accounting, federal, and state standards and requirements. Details of the requirements are contained in the attached *Scope of Services*. The *Financial Statements* and *Compliance Reports* for the most recent fiscal year are included as attachments hereto.

2. PRE-SUBMITTAL ACTIVITIES

2.1 REQUESTS FOR CHANGES OR CLARIFICATIONS

All communications concerning this Request for Proposals (RFP) and the project shall be directed to Valerie White, the purchasing agent, via e-mail to purchasing@sbmtd.gov. Offerors may request a clarification or change to any aspect or requirement of the RFP or any addenda thereto. Such requests must be received by MTD by Wednesday, February 17, 2021, at 10:00 AM (PST) to be considered.

2.2 RFP MODIFICATIONS & ADDENDA

MTD reserves the right to amend this RFP through written addenda. **Other than through written addenda, no other form of communication with any officer, employee or agent of MTD shall be binding upon MTD.** Any addenda will be sent via e-mail to all parties known to have received the RFP and concurrently posted to MTD's website at <https://sbmtd.gov/about/doing-business/>. Failure of an Offeror to receive any addendum shall not relieve it from any obligation under the RFP as clarified or modified.

3. PROPOSAL PREPARATION & SUBMITTAL

The Offeror's proposal shall include two types of information: Offeror-prepared documents and Offeror-completed forms provided by MTD.

3.1 OFFEROR-PREPARED DOCUMENTS

Letter of Transmittal – Letter shall be signed by a partner authorized to bind the Offeror contractually and shall certify the Offeror to the following:

- Its interest and willingness to enter into a contract with MTD to carry out the audit 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*.
- It is a Certified Public Accountant firm licensed by the California State Board of Accountancy.
- It has conducted audits of California transit agencies or other governmental units for at least five years.
- It possess sufficient staffing and other resources to perform the audit in a timely and efficient manner.

- It shall use only Certified Public Accountants to make, evaluate, recommend, provide written reports (except clerical), and to make presentations unless otherwise approved by MTD.
- It is fully familiar with the Single Audit requirements of the Office of Management and Budget (OMB): Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and applicable Governmental Accounting Standards Board (GASB) pronouncements.

Description of the Firm – Proposal shall include a description of the proposing firm including its size, location(s), years in business, and any other information deemed appropriate for providing a general overall picture of the firm and its capabilities. Please limit such information to a maximum of two pages.

Prior Experience with Similar Projects – Proposal shall include a description of at least five similar audits carried out by the Offeror with at least two being within the last five years with California public transit agencies receiving FTA and TDA funds. Offeror projects shall be for those work references listed on the attached *Work References* form. Please limit each project description to a maximum of one page.

Key Audit Personnel Résumés – Proposal shall include résumés of key audit personnel with an emphasis on professional education and certifications, and experience with California special district and public transit agency audits. Résumés shall be included for at least the specific partner responsible for the audit, the lead auditor, and fieldwork personnel. Limit each résumé to a maximum of two pages.

Work Plan – Offeror shall provide a narrative that addresses the *Scope of Services* requirements and shows the Offeror's understanding of MTD's needs and requirements. At a minimum, the Work Plan shall:

- Describe the approach to completing the audit and *Scope of Services*.
- Outline sequentially the activities that would be undertaken in completing the work.
- Furnish a proposed schedule that includes dates for completing the tasks.

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.**

Acknowledgement of Addenda – Offeror shall acknowledge either receipt of each Addendum or that there were no addenda by including in its proposal the fully completed and signed *Acknowledgement of Addenda* form.

Bidder Information – Proposal shall include the fully completed *Bidder Information* form included in this RFP package.

Credit and Work References – Proposal shall include the *Credit and Work References* form with a minimum of two work references that are California public transit operators receiving both FTA and TDA funds that were audited within the last five years. Include the same parties as those in the *Prior Experience with Similar Projects* element of your proposal.

Lobbying Certification – Proposal shall include the fully completed and signed Lobbying Certification form required under federal law if the total price proposal, including option years, exceeds \$100,000.

Noncollusion Declaration/Compensation Certification – Proposal shall include the signed and dated *Noncollusion Declaration* and *Compensation Certification* forms included in this RFP package.

3.3 ELECTRONIC PROPOSAL SUBMITTAL

One electronic proposal in PDF format shall be emailed to purchasing@sbmtt.gov with the email subject line stating "Financial Audit Services Proposal." **Proposals will be accepted by MTD via email only until Wednesday, March 10, 2021, at 10:00 AM (PST).** It is advisable to submit the proposal in advance of the deadline to allow for the resolution of any email delivery problems. Unless determined solely by MTD that a proposal was late due to the fault of MTD, submittals received after such time cannot be considered by MTD. There will be no public opening of proposals.

3.4 WITHDRAWAL OF PROPOSALS

An Offeror may withdraw a proposal any time prior to the submittal deadline by sending an email request from the Offeror's authorized representative. A proposal may be resubmitted by the submittal deadline.

3.5 PROPOSAL SUBMITTAL STIPULATIONS

Proposals received by MTD become the property of MTD. MTD will not pay any cost incurred by Offeror resulting from preparation or delivery of its proposal. MTD reserves the sole right to review, accept, or reject proposals; or to cancel this solicitation in whole or in part if it is in MTD's best interest to do so.

4. PROPOSAL EVALUATION

4.1 PROPOSAL DEVIATIONS & COLLUSION

MTD may reject any proposal that includes unacceptable deviations or is not prepared in accordance with the instructions and requirements of this RFP. MTD reserves the right to waive any defects, or minor informalities or irregularities in any proposal which do not materially affect the proposal or prejudice other Offerors. If there is any evidence indicating that two or more Offerors are in collusion to restrict competition or otherwise engaged in anti-competitive practices, the proposals of all such offers shall be rejected and such evidence may be a cause for disqualification of the participants in any future MTD solicitations.

4.2 RESPONSIVENESS

MTD shall examine all proposals for completeness and responsiveness to the provisions of this RFP. MTD may request additional or clarifying information from an Offeror. **Proposals that do not contain all required materials, information or forms, or where such materials, information or forms are substantially incomplete, may be considered non-responsive and rejected by MTD.**

4.3 EVALUATION COMMITTEE

Responsive proposals from Offerors shall be subject to review by an Evaluation Committee. The purpose of the Evaluation Committee is to establish the firm that the committee believes will provide MTD with the best "value." Value for this RFP is determined by the following factors in descending order of importance: Prior Experience, Proposal Price, Work Plan.

The Evaluation Committee will evaluate and rank proposals to determine the most qualified Offeror(s). Based upon the initial ranking, MTD's staff may either (1) determine "responsibility" (as described below) and transmit to the General Manager a recommendation of contract award to the highest ranked and responsible Offeror; or (2) recommend establishment of a competitive range. The competitive range may include all or a portion of the Offerors.

4.4 RESPONSIBILITY

When MTD determines the highest ranked Offeror or Offerors within the competitive range, MTD shall make an assessment of the Offeror's "responsibility." For purposes of this RFP, responsibility is defined as satisfactory performance in previous contracts and having the financial capacity to undertake the project. Such process will use the reference information provided in the proposal and may involve requesting additional or clarifying information from an Offeror. Proposals from any Offeror not found to be responsible shall be rejected by MTD.

4.5 INTERVIEWS

As part of the evaluation process, MTD may conduct interviews with the highest ranked Offeror or Offerors the Evaluation Committee deems to be in competitive range. Such interviews are for information gathering and clarification for the Evaluation Committee. MTD may conduct interviews in person or by utilizing teleconferencing and electronic means. MTD reserves the right to award a contract without interviews and/or negotiations if deemed unnecessary to determine the most qualified, responsible Offeror with a fair and reasonable price proposal.

4.6 BEST AND FINAL OFFER (BAFO)

MTD may require Offerors in the competitive range to submit BAFOs, which include any modifications to the statements of qualifications, and written responses to any issues, concerns, and questions that were raised during the interviews and/or MTD's written request for BAFOs. MTD reserves the right to require a second round of BAFOs after the initial round has concluded.

4.7 FINAL EVALUATION

If MTD chooses to conduct interviews and/or request BAFO submittals, the Evaluation Committee will conduct a final round of scoring that takes into consideration information collected from interviews and/or BAFOs. Based upon the final scores, MTD staff will determine the highest ranked Offeror and report to the General Manager.

5. CONTRACT AWARD

5.1 AWARD PROCESS

If considered in MTD's best interest, the MTD General Manager will recommend to the MTD Board of Directors that a contract be awarded to the Offeror that has submitted the proposal that MTD finds provides the best value. It is anticipated that such recommendation will be considered by the Board of Directors at its regular meeting of Tuesday, April 20, 2021.

5.2 CONTRACT EXECUTION

The contract will be executed as soon as practical after contract award and receipt of certificates of insurance meeting MTD requirements. The contract will include the *MTD Master Agreement*, the *FTA Terms and Conditions*, the *Scope of Services*, and relevant portions of the Contractor's proposal.

5.3 OPTION PROVISIONS

The option for one two-year contract extension may be exercised if mutually agreed to by MTD and Offeror. To exercise the option, MTD will request the contract extension three months prior to the termination of the existing contract.

6. PROTEST PROCEDURES

MTD has established procurement protest procedures to ensure uniform, timely, and fair consideration of complaints received by MTD concerning its procurement activities. Such procedures are available on MTD's website at: <https://sbmtd.gov/about/doing-business/>.

End of Solicitation Instructions Text (Also See Attachments 1-6)

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
Request for Proposals for Financial Audit Services
PRICE PROPOSAL

Description	Price
Fixed Price for Financial Audit for MTD Fiscal Year Ended June 30, 2021	\$
Fixed Price for Financial Audit for MTD Fiscal Year Ended June 30, 2022	\$
Fixed Price for Financial Audit for MTD Fiscal Year Ended June 30, 2023	\$
Fixed Price for Financial Audit for MTD Fiscal Year Ended June 30, 2024 (option)	\$
Fixed Price for Financial Audit for MTD Fiscal Year Ended June 30, 2025 (option)	\$
TOTAL Price for Base Contract plus all Option Years	\$

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 Proposal 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 Proposal, is valid for 90 days following the bid due date and time.

 Authorized Official Signature

 Date of Signature

 Authorized Official Name

 Authorized Official Title

 Business Name of Bidder

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
Request for Proposals for Financial Audit Services
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.	_____	dated	_____
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.sbmttd.gov/about/doing-business/>.

Authorized Official Signature

Date of Signature

Authorized Official Name

Authorized Official Title

Business Name of Bidder

(Signer must match authorized official shown on Bidder Information form)

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
Request for Proposals for Financial Audit Services
BIDDER INFORMATION FORM

General Information

Business Name of Bidder: _____

Business Type: Corporation (State of Incorporation: _____) Partnership
 Sole Proprietorship Other: _____

Business Federal Tax ID Number: _____

Corporate Headquarters

Street Address: _____

City: _____ State: _____ Zip Code: _____

Local Office (check box at left & leave below blank if the local office is the HQ or there is no local office)

Street Address: _____

City: _____ State: _____ Zip Code: _____

Authorizing Contact (person authorized to bind the firm contractually, including change orders)

Name: _____ Title: _____

Location: HQ Local Office Other: _____

Telephone: _____ Cell: _____ E-Mail: _____

Partner Contact (if different from above)

Name: _____ Title: _____

Location: HQ Local Office Other: _____

Telephone: _____ Cell: _____ E-Mail: _____

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
Request for Proposals for Financial Audit Services
CREDIT & WORK REFERENCES

Business Name of Bidder: _____

Credit References

Include your primary bank and a firm that you currently purchase materials or services from on credit.

Bank Name: _____ Contact Name: _____

Contact Phone: _____ Contact E-Mail: _____

Vendor Name: _____ Contact Name: _____

Contact Phone: _____ Contact E-Mail: _____

Work References

Include at least two recent clients for which you have provided services similar to the project work for California special district public transit agencies receiving FTA and TDA funding.

Client Name: _____ Contact Name: _____

Contact Phone: _____ Contact E-Mail: _____

Client Name: _____ Contact Name: _____

Contact Phone: _____ Contact E-Mail: _____

Client Name: _____ Contact Name: _____

Contact Phone: _____ Contact E-Mail: _____

Client Name: _____ Contact Name: _____

Contact Phone: _____ Contact E-Mail: _____

Client Name: _____ Contact Name: _____

Contact Phone: _____ Contact E-Mail: _____

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
Request for Proposals for Financial Audit Services
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.

Authorized Official Signature

Date of Signature

Authorized Official Name

Authorized Official Title

Business Name of Vendor

(Signer must match authorized official shown on Bidder Information form)

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
Request for Proposals for Financial Audit Services
NONCOLLUSION DECLARATION

The undersigned declares:

I am the _____ of _____,
(title) (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 _____, at _____, _____.
(date) (city) (state)

Authorized Official Signature

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

Date of Signature

Authorized Official Name

Authorized Official Title

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
Financial Audit Services
SCOPE OF SERVICES
Table of Contents

I.	Introduction & Background	1
A.	Introduction	1
B.	General Information	1
C.	Financial & Data System Information.....	2
II.	Contacts & Communications	2
A.	MTD Contacts	2
B.	Communications & Meetings	3
III.	Auditing Standards & Responsibilities	3
A.	Auditing Standards.....	3
B.	MTD Responsibilities	4
C.	Auditor Responsibilities.....	4
IV.	Audit Deliverables.....	5
A.	Reports & Documents Listing.....	5
B.	Formats & Quantities	6
C.	Public Records.....	6

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
Financial Audit Services
SCOPE OF SERVICES

I. INTRODUCTION & BACKGROUND

A. INTRODUCTION

This *Scope of Services* specifies the requirements for an annual independent financial audit (Audit) of the Santa Barbara Metropolitan Transit District (MTD) in accordance with applicable accounting, federal, and state laws, regulations, standards, etc. The Auditor shall be a CPA firm licensed by the California State Board of Accountancy experienced in California special district transit agency audits.

The Auditor shall provide all necessary resources including, but not limited to, qualified personnel, software, hardware, internet access, licenses, equipment, and supplies necessary to carry out the Audit as specified herein for a three-year period with an option for two additional years beginning with MTD's 2020-2021 fiscal year that ends June 30, 2021.

B. GENERAL INFORMATION

1. MTD is a California Special District created by state law in 1965 to provide public mass transit services to the South Coast of Santa Barbara as codified in the Public Utilities Code 95000 et. seq.
2. MTD is governed by a Board of Directors (Board) made up of seven members. Two members are appointed by the County Board of Supervisors, two by the Santa Barbara City Council, one by the Goleta City Council, and one by the Carpinteria City Council. The seventh "at-large" member is appointed by the other six members of the Board. The Board normally meets at 8:30 AM on the first and third Tuesday of each month except during August and December when there are no scheduled meetings.
3. The Auditor is working on behalf of and ultimately reports to the Board. The Audit is under the purview of the Finance, Risk & Human Resources Committee, comprised of three members of the Board.
4. MTD currently provides fixed route bus service. ADA paratransit service is provided under contract with a local non-profit agency. The ADA contractor is not subject to the Audit specified herein.
5. MTD's service area is 52 square miles and includes the cities of Santa Barbara, Goleta, and Carpinteria; and the unincorporated portions of the County of Santa Barbara between such cities including the areas of Montecito and Summerland. The region is commonly referred to as the South Coast of Santa Barbara County.
6. MTD currently operates a fleet of 114 transit buses including 30-, 40-, and 60-foot models powered by renewable diesel, battery-electric, and hybrid diesel-electric engines and motors. There are no fixed guideway or Bus Rapid Transit services provided by MTD.
7. MTD currently has 208 employees. Bus operators, driver supervisors, mechanics and service workers are represented by the Teamsters Local 186. The current three-year collective bargaining agreement expires June 30, 2022. Other than the General Manager, staff and management are at-will employees.
8. MTD's transit-related facilities include:
 - a. Administrative, Operations, and Maintenance Facility located at 550 Olive Street, Santa Barbara, CA, 93101 (where Finance Department staff and records are located).
 - b. The Transit Center, MTD's primary passenger facility, located at 1020 Chapala Street, Santa Barbara, CA 93101.
 - c. A second limited operations facility at 5353 Overpass Road, Goleta, CA 93111.

C. FINANCIAL & DATA SYSTEM INFORMATION

1. Fund Accounting – MTD’s financial statements are prepared using proprietary (enterprise) fund accounting. MTD operates under one enterprise fund using an economic resources measurement focus and the accrual basis of accounting.
2. Budget – Annual budgets are scheduled for approval each June for the fiscal year beginning the following July 1. The approved MTD operating budget for Fiscal Year 2020-21 (FY20-21) is \$28 million. The capital budget is \$34 million.
3. COVID-19 – MTD’s financial position has been affected significantly by the ongoing COVID19 pandemic. Of greatest relevance is a steep decline in operating revenue as a result of the cessation of transit fare collection last March for health and safety reasons. Stemming the negative impact is the receipt of federal CARES Act funding which were used the backfill the \$1.2 million deficit in FY19-20 and will cover an operating budget shortfall in excess of \$8 million in the current FY20-21.
4. Pension Plans –MTD contributes to the Western Conference Teamsters Pension Trust on behalf of represented employees. Pension benefits for staff and management are through the MTD 401(k) Salary Deferral Plan & Trust. MTD is not a member of the California Public Employees Retirement System (CalPERS).
5. OPEB – In FY16-17, MTD began prefunding its OPEB liability for retiree health benefits with the establishment of a \$1 million irrevocable trust with the California Employers Retiree Benefit Trust (CERBT) which is managed by CalPERS. The Board authorized an additional \$500,000 of prefunding in FY 17-18. Approximately 59% of the estimated \$2.7 million OPEB obligation at the end of FY19-20 is funded. The biennial OPEB actuarial valuation will take place this summer with a measurement date of June 30, 2021.
6. Accounting Software – MTD uses the SBT Pro Series 5.0i accounting system for recording and maintaining its financial transactions and database. The SBT software, developed using Microsoft FoxPro, has been in use since 1994. SBT is linked to Trapeze Timekeeper for importing driver payroll and Trapeze EAM for importing bus parts purchase order and inventory data. Given its limited functionality, SBT data is exported to custom-built Microsoft Access databases and Microsoft Excel workbooks that are used primarily for expanded analysis and reporting capabilities.

II. CONTACTS & COMMUNICATIONS

A. MTD CONTACTS

The following MTD personnel will in varying degrees participate in the Audit:

1. Chief Executive Officer
 - a. Jerry Estrada, General Manager (CEO)
2. Finance Department
 - a. Brad Davis, Director of Finance and Administration (CFO)
 - b. Thais Sayat, Finance Manager (audit lead)
 - c. Cherie Alvarez, Assistant Finance Manager
 - d. Diana Flores, Accounting Assistant
3. Other Departments
 - a. Mary Gregg, Director of Human Resources & Risk (COO)
 - b. Steve Maas, Grants & Compliance Manager
 - c. Tom Sheldon, Manager of IT Systems
 - d. Steve Hahn, Material Control Manager

B. COMMUNICATIONS & MEETINGS

1. Communications

- a. Generally, any communications requesting, delivering, or complying with actions, financial information, documents, and any other items concerning the Audit shall be via email between MTD and the Auditor with appropriate attachments. There may be exceptions such as when original documents and signatures are required.
- b. Meetings and telephone communications concerning audit matters shall be confirmed in a follow-up email prepared by the Auditor unless of a trivial nature.
- c. Thais Sayat, Finance Manager, shall lead the Audit for MTD. Unless indicated otherwise, all communications and coordination of audit activities shall be through Ms. Sayat with a copy to Brad Davis, Director of Finance and Administration. If Ms. Sayat is unavailable, communications shall be through Mr. Davis with emails copied to Ms. Sayat.

2. Meetings & Presentations

- a. All meetings and presentations shall be carried out in compliance with applicable federal, state and local health and safety orders, mandates, measures, guidance, and the like regarding COVID-19.
- b. If desired by the Finance, Risk & Human Resources Committee or the General Manager, the Auditor shall meet with the Committee or General Manager prior to the start of the Audit to review the Audit objectives and process, or to communicate any particular Audit goals or emphasis. The Auditor shall be available for additional meetings with such parties as requested.
- c. Following acceptance of the engagement letter by MTD and prior to the start of the Audit, there shall be a “kick-off” meeting between key personnel of the Auditor and MTD. Prior to the meeting, the Auditor shall provide a proposed Audit schedule with dates, and a preliminary list of items and other needs required by the Auditor to carry out the Audit.
- d. There shall be at least biweekly meetings between the MTD Finance Manager and the designated Auditor representative to review the progress of the Audit to ensure compliance with the Audit schedule to the extent feasible. The Auditor shall provide a follow-up email report by the end of the day on key matters discussed and decisions agreed upon.
- e. MTD and Auditor representatives shall be available for meetings or telephone calls as needed to carry out the Audit and meet the Audit objectives including a review of draft Audit deliverables.
- f. The Auditor shall make formal presentations on the results of the Audit to the Finance, Risk & Human Resources Committee and the Board in open public meetings. It is anticipated that there will be only one presentation to each body but more may be required.

III. AUDITING STANDARDS & RESPONSIBILITIES

It is not the purpose of this *Scope of Services* to provide a complete description of the requirements of the Audit but rather to outline the process and deliverables as understood by MTD as well as to specify other MTD requirements. It is fully the responsibility of the Auditor to be aware of, comply with, and carry out applicable financial auditing requirements for a California special district public transit agency including the audit requirements of the state and federal agencies, programs, and grants that provide funding. If anything if this *Scope of Services* appears to differ from the requirements of the Audit, the Auditor shall bring such discrepancies to the attention of MTD for clarification and/or correction.

A. AUDITING STANDARDS

The Audit shall be performed in accordance with the current applicable versions of:

1. Generally Accepted Auditing Standards (GAAS) promulgated by the American Institute of Certified Public Accountants (AICPA).
2. Government Auditing Standards issued by the Comptroller General of the United States.
3. Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) per the Office of Management & Budget (OMB).
4. Applicable pronouncements or other issuances of the Governmental Accounting Standards Board (GASB).
5. California Code of Regulations (CCR) pertaining to Transportation Development Act (TDA) audits.
6. Any additional auditing standards required for or by other governmental funding sources.

B. MTD RESPONSIBILITIES

MTD Finance staff shall:

1. Provide Auditor with all financial data, records, transaction listings, reports, schedules, spreadsheets, procedures, support documentation, contracts, etc. required for the Auditor to perform the Audit.
2. Prepare and retain responsibility for the accuracy of all financial statements, footnotes, pension schedules, and required supplementary information subject to the Audit.
3. Prepare Management Discussion and Analysis for inclusion in the Audit document.
4. Provide Auditor with requested contact information for MTD financial institutions; attorneys; local, state and federal funding agencies, creditors, etc. as needed for confirmation of assets and liabilities.
5. Arrange the availability of MTD staff members for meetings and interviews with the Auditor as needed for carrying out the Audit.
6. At the end of each fiscal year, carry out an inventory of MTD's bus parts, fuel, motor oil, and other bulk fluids recorded as current assets with a combined approximate value of \$900,000.
7. Engage actuarial firm(s) for determination and preparation of workers' compensation and OPEB actuarially determined year-end liability valuation reports and provide such to the Auditor.
8. Prepare and provide the above items in a timely manner to meet the established Audit schedule.

C. AUDITOR RESPONSIBILITIES

Notwithstanding the Auditor's ultimate responsibility for carrying out the Audit in compliance with all requisite audit standards and requirements, the Auditor shall:

1. Complete the Audit such that the Auditor presentation to the Board shall be no later than the third Tuesday of the October following the end of the fiscal year.
2. Prepare Audit schedule with due dates and list of all financial data, records, transaction listings, reports, schedules, spreadsheets, procedures, support documentation, contracts, etc. to be provided by MTD to the Auditor in order to properly perform the Audit.
3. Review MTD's internal control structure and assess control risk to determine the extent of auditing procedures necessary to express an opinion on the financial statements; and without expressing an opinion on internal controls, report any material weaknesses identified as a result of such review.
4. Carry out tests of documentary evidence supporting the transactions recorded in the accounts which may include tests of the physical existence of assets and inventories; and require confirmation of accounts receivables and other pertinent assets and liabilities from third parties that may include individuals, financial institutions, attorneys, creditors, or local, state and federal funding agencies.
5. Interview appropriate MTD employees as necessary or required for carrying out the Audit. Such

interviews may be through MTD completion of Auditor forms, surveys or questionnaires to the extent that such completion is not the responsibility of the Auditor.

6. As needed, make MTD aware of accounting standards, principles, requirements, etc., including the application thereof, for MTD to accurately prepare the financial statements and associated items.
7. Using financial and other information provided by MTD, prepare all required reports, documents, letters, etc. including but not limited to those deliverables listed in Section IV below.
8. Maintain Audit working papers for a minimum of three years from the date of the Audit. Upon any request for such working papers by cognizant state, or federal agency, Auditor shall inform MTD of such request and make the working papers available to the agency to the extent required.
9. Report and provide an opinion on MTD compliance, in all material respects, with laws and regulations that apply to major federal financial assistance programs. Regarding transactions for non-major programs, the compliance report will contain a statement of positive and negative assurances.

IV. AUDIT DELIVERABLES

A. REPORTS & DOCUMENTS LISTING

The Auditor shall at a minimum prepare and/or combine the following items for inclusion in MTD's Financial Statements, Compliance Reports or as independent documents:

1. Financial Statements and Required Supplementary Information
 - a. Independent Auditor's Report
 - b. Management Discussion and Analysis
 - c. Financial Statements
 - (1) Statements of Net Position
 - (2) Statements of Revenue, Expenses and Change in Net Position
 - (3) Statements of Expenses
 - (4) Statements of Cash Flows
 - d. Notes to Financial Statements
 - e. Required Supplementary Information
2. Compliance Reports
 - a. Report on Internal Controls (without an opinion)
 - b. Schedule of Expenditures of Federal Awards (SEFA)
 - c. Notes to Schedule of Expenditures of Federal Awards
 - d. Report on Compliance and on Internal Control over Financial Reporting in accordance with Government Auditing Standards
 - e. Report on Compliance with Requirements applicable to Each Major Program and Internal Control over Compliance in Accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* of the OMB
 - f. Federal Schedule of Findings and Questioned Costs
 - g. Report including an opinion on compliance with the California TDA including any State of Good Repair or Low Carbon Transit Operations Program funds received or expended
3. Other Documents
 - a. Management Letter including any findings and/or recommendations

- b. Management Representation Letter (prepare on behalf of MTD for MTD signature)
- c. Auditor's Communication with Those Charged with Governance (AICPA SAS No. 114)

B. FORMATS & QUANTITIES

- 1. The Auditor shall provide MTD with one (1) electronic copy in PDF format of all deliverables. Protection settings shall allow printing, content copying, and page extraction.
- 2. The Auditor shall provide MTD with ten (10) separately bound hardcopies of the Financial Statements and Required Supplementary Information and the Compliance Reports.

C. PUBLIC RECORDS

All deliverables shall become a matter of public record and may be reproduced, distributed, published or electronically posted as deemed fit by MTD or others.

End of Scope of Services Text

Santa Barbara Metropolitan Transit District
Financial Audit Services

MASTER AGREEMENT with [insert contractor name in caps]

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"), and [insert contractor name], a [insert state name] [insert business type] ("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 to carry out financial audit services (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 Provisions* 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 February 4, 2021, a scope of services contained in the Request for Proposals for Financial Audit Services, a true copy of which is attached hereto as Exhibit "B" and incorporated herein by this reference.
- 5. Proposal. Contractor has heretofore submitted on March 10, 2021, 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 a fixed price of [insert price] which is in accordance with Exhibit "C".
- 8. Payment. Contractor shall submit invoices to MTD in accordance with a progress payment schedule to be determined. Payment from MTD shall be made to Contractor no later than thirty (30) days after receipt of a valid invoice, which shall be sent electronically 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 any applicable California Sales Tax for the City of Santa Barbara which shall have been included in the Contractor's proposal price and shall be included on the Contractor's invoice.
- 10. Project Schedule. Schedule set forth in Exhibit B. .
- 11. Delivery & Freight. Not applicable to this Agreement.
- 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. Any items, services, work or systems acquired pursuant to this Agreement found to be non-compliant with the scope of services shall be corrected by the Contractor without additional cost to MTD.

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. Additionally Required Endorsements.

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

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

C. 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.

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.

f. 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 \$1,000,000 annual aggregate.

19. Bonding. Not applicable to this Agreement.

20. Termination. For applicable terms, refer to Paragraph 21 (Termination) in the *Federal Transit Administration Contract Provisions* which are 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. Not applicable to this Agreement.

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:

<p><u>MTD:</u> Jerry Estrada, General Manager Santa Barbara Metropolitan Transit District 550 Olive Street Santa Barbara, CA 93101 Email: jestrada@sbmtd.gov</p>	<p><u>CONTRACTOR:</u> [insert authorized official name & title] [insert contractor name] [insert contractor street address] [insert contractor city, state and zip code] [insert contractor email address]</p>
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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, 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 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 the *Federal Transit Administration Contract Provisions* which are 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

[insert contractor name]

Jerry Estrada, General Manager

[insert authorized official name & title]

Date

Date

FEDERAL TRANSIT ADMINISTRATION

CONTRACT PROVISIONS

Financial Audit Service: Contractor Name

TABLE OF CONTENTS

1.	Fly America Requirements (not applicable to agreement)	1
2.	Buy America Requirements (not applicable to agreement).....	1
3.	Charter Bus & School Bus Requirements (not applicable to agreement).....	1
4.	Cargo Preference Requirements (not applicable to agreement)	1
5.	Seismic Safety Requirements (not applicable to agreement)	1
6.	Energy Conservation Requirements	1
7.	Clean Water Requirements.....	1
8.	Bus Testing (not applicable to agreement)	1
9.	Pre-Award & Post-Delivery Audit Requirements (not applicable to agreement) ...	1
10.	Lobbying	1
11.	Access to Records & Reports	2
12.	Federal Changes	2
13.	Bonding Requirements (not applicable to agreement).....	2
14.	Clean Air	2
15.	Recycled Products (not applicable to agreement).....	3
16.	Davis-Bacon & Copeland Anti-Kickback Acts (not applicable to agreement).....	3
17.	Contract Work Hours & Safety Standards Act (not applicable to agreement)	3
18.	[Reserved]	3
19.	No Government Obligations to Third Parties	3
20.	Program Fraud & False or Fraudulent Statements & Related Acts.....	3
21.	Termination.....	3
22.	Government-Wide Debarment & Suspension	4
23.	Privacy Act (not applicable to agreement)	4
24.	Civil Rights Requirements.....	4
25.	Breaches & Dispute Resolution	5
26.	Patent & Rights in Data (not applicable to agreement)	5
27.	Transit Employee Protective Agreements (not applicable to agreement)	5
28.	Disadvantaged Business Enterprise (DBE)	5
29.	[Reserved]	6
30.	Incorporation of Federal Transit Administration (FTA) Terms	6
31.	Drug & Alcohol Testing (not applicable to agreement).....	6
32.	Intelligent Transportation System (ITS) (not applicable to agreement)	6

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1. **FLY AMERICA REQUIREMENTS (NOT APPLICABLE TO AGREEMENT)**
2. **BUY AMERICA REQUIREMENTS (NOT APPLICABLE TO AGREEMENT)**
3. **CHARTER BUS & SCHOOL BUS REQUIREMENTS (NOT APPLICABLE TO AGREEMENT)**
4. **CARGO PREFERENCE REQUIREMENTS (NOT APPLICABLE TO AGREEMENT)**
5. **SEISMIC SAFETY REQUIREMENTS (NOT APPLICABLE TO AGREEMENT)**
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. The Contractor agrees to include the requirements of this section in all subcontracts.

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. The Contractor also agrees to include these requirements in each subcontract exceeding \$100,000.

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) 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.

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. 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.

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) Opportunity to Cure: 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) Waiver of Remedies for any Breach: 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. 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. 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. The bidder or proposer further agrees to include a provision requiring such compliance in its lower tier covered transactions.

23. PRIVACY ACT (NOT APPLICABLE TO AGREEMENT)

24. CIVIL RIGHTS REQUIREMENTS

(a) Nondiscrimination: 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 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.

(d) 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**

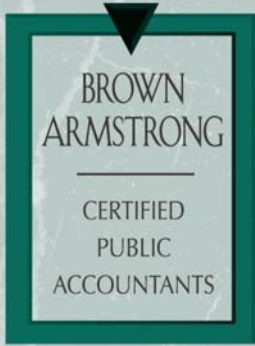
**FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2020 AND 2019**

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
JUNE 30, 2020 AND 2019**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis.....	4
Financial Statements:	
Statements of Net Position.....	16
Statements of Revenues, Expenses, and Changes in Net Position	17
Statements of Expenses	18
Statements of Cash Flows	19
Notes to Financial Statements	21
Required Supplementary Information:	
Schedule of Changes in the Net Other Postemployment Benefits (OPEB) Liability and Related Ratios	48



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

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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

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

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
<u>Assets</u>			
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%
<u>Liabilities</u>			
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
<u>Net Position</u>			
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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

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

	2019-20	2018-19	Change
<u>Revenues</u>			
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	<u>27,263</u>	<u>26,203</u>	<u>4%</u>
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	<u>7,524</u>	<u>8,043</u>	<u>-6%</u>
Total Revenue	<u>\$ 34,787</u>	<u>\$ 34,246</u>	<u>2%</u>
<u>Expenses</u>			
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	<u>27,312</u>	<u>26,305</u>	<u>4%</u>
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	<u>4,421</u>	<u>4,206</u>	<u>5%</u>
Total Expenses	<u>\$ 31,733</u>	<u>\$ 30,511</u>	<u>4%</u>
Change in Net Position	3,054	3,735	
Beginning of Year	<u>46,433</u>	<u>42,698</u>	<u>9%</u>
End of Year Net Position	<u>\$ 49,487</u>	<u>\$ 46,433</u>	<u>7%</u>

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 retail 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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

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
<u>Revenues</u>			
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%
<u>Expenses</u>			
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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

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*.

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

**Capital Acquisitions
(thousands of dollars)**

<u>Asset Category</u>	<u>2019-20</u>	<u>2018-19</u>
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	 <u>\$ 7,524</u>	 <u>\$ 8,043</u>

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

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.

Fare Revenue – 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 ratio⁴ 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.

Sales Tax Revenue – 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.

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

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.

Federal §5307 Funding – 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.

STA Funding – 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 19-20⁶ 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.

Calle Real Development – 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.

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

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**

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Passenger fares	<u>\$ 5,275,643</u>	<u>\$ 7,167,098</u>
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	<u>(25,811)</u>	<u>154,169</u>
Total before Depreciation and Amortization	27,284,855	26,459,652
Depreciation and Amortization	<u>4,132,436</u>	<u>3,975,403</u>
Total Operating Expenses	<u>31,417,291</u>	<u>30,435,055</u>
OPERATING LOSS	<u>(26,141,648)</u>	<u>(23,267,957)</u>
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	<u>(314,810)</u>	<u>(77,229)</u>
Total Nonoperating Revenues	<u>29,196,219</u>	<u>27,002,698</u>
CHANGE IN NET POSITION	3,054,571	3,734,741
Beginning of year	<u>46,432,725</u>	<u>42,697,984</u>
END OF YEAR NET POSITION	<u><u>\$ 49,487,296</u></u>	<u><u>\$ 46,432,725</u></u>

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**

	<u>2020</u>	<u>2019</u>
LABOR		
Operators' wages	\$ 7,522,689	\$ 7,756,622
Other salaries and wages	<u>4,575,474</u>	<u>4,490,660</u>
Total Labor	<u>12,098,163</u>	<u>12,247,282</u>
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	<u>57,215</u>	<u>57,218</u>
Total Fringe Benefits	<u>8,552,099</u>	<u>7,974,194</u>
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	<u>162,696</u>	<u>182,359</u>
Total Services	<u>1,236,992</u>	<u>1,234,604</u>
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	<u>52,416</u>	<u>114,797</u>
Total Material and Supplies	<u>3,167,840</u>	<u>3,218,345</u>
UTILITIES AND TELEPHONE	<u>251,434</u>	<u>246,199</u>
CASUALTY AND LIABILITY COSTS	<u>609,729</u>	<u>263,113</u>
PURCHASED TRANSPORTATION	<u>971,634</u>	<u>991,962</u>
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	<u>287,643</u>	<u>190,425</u>
Total Miscellaneous	<u>396,964</u>	<u>283,953</u>
Total Expenses before Depreciation and Amortization	27,284,855	26,459,652
DEPRECIATION AND AMORTIZATION	<u>4,132,436</u>	<u>3,975,403</u>
TOTAL EXPENSES	<u>\$ 31,417,291</u>	<u>\$ 30,435,055</u>

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)
	(20,481,995)	(18,903,597)
NET CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
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
	22,381,901	18,272,668
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES		
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
	(213,634)	74,724
NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	221,630	232,473
	221,630	232,473
NET CASH PROVIDED BY INVESTING ACTIVITIES		
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
	\$ 13,597,173	\$ 11,689,271
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	<u><u>\$ (20,481,995)</u></u>	<u><u>\$ (18,903,597)</u></u>

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

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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:

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

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 3 – CASH AND INVESTMENTS (Continued)

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

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

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk (Continued)

<u>Investment Type</u>	<u>Measurement Input</u>	<u>Fair Value</u>	
		<u>2020</u>	<u>2019</u>
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		<u>\$ 12,783,228</u>	<u>\$ 10,525,560</u>

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 4 – RECEIVABLES

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

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

NOTE 5 – CAPITAL ASSETS

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

<u>June 30, 2020</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Reclassification</u>	<u>Disposals/ Adjustments</u>	<u>End of Year</u>
Capital assets not depreciated					
Land	\$ 5,596,296	\$ -	\$ -	\$ -	\$ 5,596,296
Work in progress	<u>2,707,497</u>	<u>5,910,469</u>	<u>(3,057,783)</u>	<u>72,740</u>	<u>5,632,923</u>
Total Capital Assets, Not Being Depreciated	<u>8,303,793</u>	<u>5,910,469</u>	<u>(3,057,783)</u>	<u>72,740</u>	<u>11,229,219</u>
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	<u>5,634,412</u>	<u>452,302</u>	<u>91,173</u>	<u>(110,281)</u>	<u>6,067,606</u>
Total Capital Assets, Being Depreciated	<u>66,744,395</u>	<u>3,787,564</u>	<u>3,057,783</u>	<u>(3,032,783)</u>	<u>70,556,959</u>
Less Accumulated Depreciation/Amortization	<u>(39,699,485)</u>	<u>(4,132,436)</u>	<u>-</u>	<u>2,309,906</u>	<u>(41,522,015)</u>
Total Capital Assets, Being Depreciated, Net	<u>27,044,910</u>	<u>(344,872)</u>	<u>3,057,783</u>	<u>(722,877)</u>	<u>29,034,944</u>
Total Capital Assets, Net	<u>\$ 35,348,703</u>	<u>\$ 5,565,597</u>	<u>\$ -</u>	<u>\$ (650,137)</u>	<u>\$ 40,264,163</u>

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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	<u>\$ 31,414,121</u>	<u>\$ 4,068,564</u>	<u>\$ (11,600)</u>	<u>\$ (122,382)</u>	<u>\$ 35,348,703</u>

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

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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:

	<u>2020</u>	<u>2019</u>
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	<u>423,827</u>	<u>2,602</u>
Net grants received	<u>\$ 7,523,781</u>	<u>\$ 8,043,967</u>

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 8 – TDA FUNDING AND ALLOCATIONS (Continued)

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

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

NOTE 9 – FEDERAL GRANTS AND REIMBURSEMENTS

Federal grants and reimbursements for the year ended June 30:

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

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 11 – RETIREMENT PLANS

Two employee groups are covered, with expenses as follows:

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

Teamsters Pension Plan

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

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%	

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 15 – OPEB (Continued)

Net OPEB Liability (Continued)

2019

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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	<u>7,152</u>	<u>37,632</u>	<u>(30,480)</u>
Balance at June 30, 2020 (Based on June 30, 2019 Measurement Date)	<u>\$ 2,683,817</u>	<u>\$ 1,593,625</u>	<u>\$ 1,090,192</u>

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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	<u>149,773</u>	<u>561,249</u>	<u>(411,476)</u>
Balance at June 30, 2019 (Based on June 30, 2018 Measurement Date)	<u>\$ 2,676,665</u>	<u>\$ 1,555,993</u>	<u>\$ 1,120,672</u>

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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

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

2019

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

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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

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

2019

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

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.

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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	-
	<u>4,390</u>	<u>-</u>
Total	<u>\$ 60,006</u>	<u>\$ 64,675</u>
2019	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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	-	-
	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>

**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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
	<u>233,345</u>	<u>938,223</u>	<u>311,300</u>	<u>252,615</u>	<u>1,735,483</u>	<u>120,746</u>	<u>120,746</u>	<u>1,856,229</u>
Funds available	233,345	938,223	311,300	252,615	1,735,483	120,746	120,746	1,856,229
Less: FY19 Eligible costs	<u>(233,345)</u>	<u>(193,920)</u>	<u>-</u>	<u>-</u>	<u>(427,265)</u>	<u>(41,076)</u>	<u>(41,076)</u>	<u>(468,341)</u>
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
	<u>-</u>	<u>744,344</u>	<u>406,929</u>	<u>252,639</u>	<u>1,403,912</u>	<u>572,399</u>	<u>572,399</u>	<u>1,976,311</u>
Funds available	-	744,344	406,929	252,639	1,403,912	572,399	572,399	1,976,311
Less: FY20 Eligible costs	<u>-</u>	<u>(744,344)</u>	<u>-</u>	<u>-</u>	<u>(744,344)</u>	<u>(79,677)</u>	<u>(79,677)</u>	<u>(824,021)</u>
Excess Operating Funds at June 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 406,929</u>	<u>\$ 252,639</u>	<u>\$ 659,568</u>	<u>\$ 492,722</u>	<u>\$ 492,722</u>	<u>\$ 1,152,290</u>

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**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
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	<u>(67,552)</u>	<u>(65,645)</u>	<u>(59,133)</u>
Net Change in Total OPEB Liability	7,152	149,773	137,966
Total OPEB Liability - Beginning	<u>2,676,665</u>	<u>2,526,892</u>	<u>2,388,926</u>
Total OPEB Liability - Ending	<u>\$ 2,683,817</u>	<u>\$ 2,676,665</u>	<u>\$ 2,526,892</u>
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	<u>(757)</u>	<u>(535)</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	37,632	561,249	994,744
Plan Fiduciary Net Position - Beginning	<u>1,555,993</u>	<u>994,744</u>	<u>-</u>
Plan Fiduciary Net Position - Ending	<u>\$ 1,593,625</u>	<u>\$ 1,555,993</u>	<u>\$ 994,744</u>
Net OPEB Liability - Ending	<u>\$ 1,090,192</u>	<u>\$ 1,120,672</u>	<u>\$ 1,532,148</u>
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

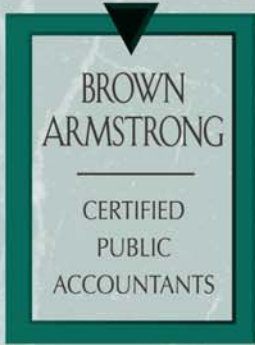
JUNE 30, 2020

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

JUNE 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor's Report on State Compliance.....	3
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	6
Financial Statements:	
Schedule of Expenditures of Federal Awards.....	8
Notes to the Schedule of Expenditures of Federal Awards	9
Findings and Questioned Costs Section:	
Schedule of Findings and Questioned Costs.....	10
Corrective Action Plan.....	13



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.

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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.

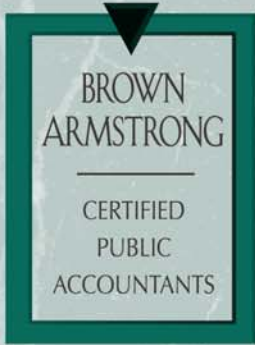
Purpose of this Report

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



BROWN ARMSTRONG

Certified Public Accountants

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,

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- 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:

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

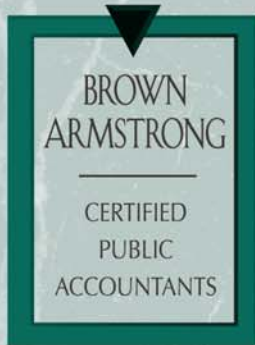
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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



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.

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

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Clusters</u>
20.500	Federal Transit Cluster
20.526	Capital Investment Grants 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.