



<b>BOARD OF DIRECTORS AGENDA</b>
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**REGULAR MEETING**  
of the  
**BOARD OF DIRECTORS**  
of the  
**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**  
A Public Agency  
**Tuesday, November 7, 2023**  
**8:30 AM**  
**John G. Britton Auditorium**  
550 Olive Street, Santa Barbara, CA 93101

- 1. CALL TO ORDER**
- 2. ROLL CALL OF THE BOARD MEMBERS**  
Dave Davis (Chair), David Tabor (Vice Chair), Jen Lemberger (Secretary), Paula Perotte (Director), Arjun Sarkar (Director), Alberto Lapuz (Director), Monica Solorzano (Director).
- 3. REPORT REGARDING THE POSTING OF THE AGENDA**

**CONSENT CALENDAR**

- 4. APPROVAL OF PRIOR MINUTES - (ACTION MAY BE TAKEN)**  
The Board of Directors will be asked to approve the draft minutes for the meeting of October 17, 2023.
- 5. CASH REPORTS - (ACTION MAY BE TAKEN)**  
The Board of Directors will be asked to review and approve the Cash Reports from October 7, 2023 through October 27, 2023.

**THIS CONCLUDES THE CONSENT CALENDAR**

- 6. PUBLIC COMMENT**  
Members of the public may address the Board of Directors on items within the jurisdiction of the Board that are not scheduled for public hearing. The time allotted per speaker will be at the discretion of the Board Chair. If you wish to address the Board under this item number, please complete and deliver to the MTD Board Clerk a "Request to Speak" form that includes both a description of the subject you wish to address and, if applicable, the agenda item number for which you would like to comment. Additional public comment will be allowed during each agenda item, including closed session items. Forms are available at [www.sbmtd.gov](http://www.sbmtd.gov) and at MTD Administrative offices.
- 7. FY22-23 AUDITED FINANCIAL STATEMENTS AND REPORTS – (ACTION MAY BE TAKEN - ATTACHMENTS)**  
Staff is recommending the Board accept the attached draft FY22-23 Audited Financial Statements and Reports.

<b>BOARD OF DIRECTORS AGENDA</b>
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- 8. FLEET RENEWAL CAMPAIGN PROJECT UPDATE – (INFORMATIONAL)**  
Staff will provide a presentation to update the Board on the status of the Fleet Renewal Campaign.
- 9. TRANSIT SIGNAL PROPERTY VENDOR CONTRACT – (ACTION MAY BE TAKEN- ATTACHMENT)**  
Staff recommends that the Board of Directors provide advance authority to the General Manager to enter into a contract Agreement with Sinwaves, Inc, DBA LYT for the Centralized Transit Signal Priority Solution (Solution), subject to the following condition: The City of Santa Barbara City Council approves the License Agreement for Transit Signal Priority that MTD Board of Directors approved at its October 17, 2023 Meeting.
- 10. GENERAL MANAGER’S REPORT – (INFORMATIONAL)**  
The General Manager will report on any updates to district activities.
- 11. OTHER BUSINESS AND REPORTS – (INFORMATIONAL)**  
The Board will report on other related public transit issues and committee meetings.

**PUBLIC COMMENT RELATED TO CLOSED SESSION ITEM WILL BE ALLOWED BEFORE THE RECESS**

- 12. RECESS TO CLOSED SESSION: PUBLIC EMPLOYEE PERFORMANCE EVALUATION - (ACTION MAY BE TAKEN)**  
The Board will meet in closed session, pursuant to Government Codes § 54957 and § 54954.5(e), to evaluate the performance of the District’s General Manager.
- 13. ADJOURNMENT**

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



## BOARD OF DIRECTORS DRAFT MINUTES

**REGULAR MEETING**  
of the  
**BOARD OF DIRECTORS**  
of the  
**SANTA BARBARA METROPOLITAN TRANSIT DISTRICT**  
A Public Agency  
**Tuesday, October 17, 2023**  
**8:30 AM**  
**John G. Britton Auditorium**  
550 Olive Street, Santa Barbara, CA 93101

1. **CALL TO ORDER**  
Chair Davis called the meeting to order at 8:30 AM.
2. **ROLL CALL OF THE BOARD MEMBERS**  
Chair Davis reported that all members were present with the exception of Director Perotte and Secretary Lemberger.
3. **REPORT REGARDING POSTING OF AGENDA**  
Evelyn Orozco, Human Resources Assistant, reported that the agenda was posted on Friday, October 13, 2023, at MTD's Administrative office, mailed and emailed to those on the agenda list, and posted on MTD's website.

### CONSENT CALENDAR

4. **APPROVAL OF PRIOR MINUTES - (ATTACHMENT - ACTION MAY BE TAKEN)**  
The Board of Directors was asked to approve the draft minutes for the meeting of September 19, 2023.
5. **CASH REPORT - (ATTACHMENT - ACTION MAY BE TAKEN)**  
The Board of Directors was asked to review and approve the Cash Reports from September 9, 2023 through September 22, 2023 and September 23, 2023 through October 6, 2023.  
Vice Chair Tabor moved to approve the consent calendar. Director Lapuz seconded the motion. Chair Davis held a roll call vote and the minutes were approved unanimously (4-0) with 1 abstention (Solorzano) and 2 absent (Lemberger, Perotte). The cash reports were approved 5-0 with 2 absent (Lemberger, Perotte).

### THIS CONCLUDES THE CONSENT CALENDAR

6. **PUBLIC COMMENT**  
No public comments were made.
7. **CALIFORNIA ENERGY COMMISSION BLUEPRINT GRANT PROJECT UPDATE – (INFORMATIONAL)**  
Ryan Gripp, Capital Projects Manager provided a presentation to update the Board on the

<b>BOARD OF DIRECTORS DRAFT MINUTES</b>
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California Energy Commission's (CEC) Blueprints for Medium Heavy-Duty Zero-Emission Vehicle Infrastructure (GFO-20-601) planning grant awarded to MTD.

**8. MTD/SBCAG DUAL DESIGNATED RECIPIENT MOU – (ACTION MAY BE TAKEN - ATTACHMENT)**

General Manager Estrada recommended that the Board approve, ratify, and authorize the Chair to execute the "Memorandum of the Understanding between Santa Barbara County Association of Governments and the Santa Barbara Metropolitan Transit District for the Dual Designated Recipient Role for the Federal Transit Administration (FTA) Funding Programs for the Santa Barbara Urbanized Area" with a term of October 1, 2023 through December 31<sup>st</sup>, 2027.

Director Lapuz moved to approve the authorization of the memorandum. Director Solorzano seconded the motion. Chair Davis held a roll call vote and the motion was approved unanimously (5-0) with 2 absent (Lemberger, Perotte).

**9. CALIFORNIA SENATE BILL 125 TIRCP & ZETCP FUNDING– (INFORMATIONAL)**

Steve Maas, Grants and Compliance Manager provided the Board of Directors with an update on one-time California Senate Bill 125 (SBS125) funding from the Transit and Intercity Rail Capital Program (TIRCP) and Zero Emission Transit Capital Program (ZETCP).

**10. LICENSE AGREEMENT WITH THE CITY OF SANTA BARBARA FOR TRANSIT SIGNAL PRIORITY – (ACTION MAY BE TAKEN – ATTACHMENT)**

Hillary Blackerby, Planning and Marketing Manager recommended that the Board of Directors authorize the General Manager to enter into a License Agreement with the City of Santa Barbara regarding Transit Signal Priority.

Vice Chair Tabor moved to approve the authorization. Director Sarkar seconded the motion. Chair Davis held a roll call vote and the motion was approved unanimously (5-0) with 2 absent (Lemberger, Perotte).

**11. RENEWAL OF STAFF HEALTH INSURANCE EFFECTIVE JANUARY 1, 2024 – (ACTION MAY BE TAKEN)**

Mary Gregg, Chief Operating Officer and Assistant General Manager recommended that the Board of Directors authorize the General Manager to renew Staff health insurance policies for the plan year effective January 1, 2024. Insurance coverage under these policies are for MTD Staff employees not represented by the Collective Bargaining Agreement.

Director Solorzano moved to approve the authorization for renewal of Staff health insurance policies. Director Lapuz seconded the motion. Chair Davis held a roll call vote and the motion was approved unanimously (5-0) with 2 absent (Lemberger, Perotte).

*Chair Davis recommended that the Board address item 12 "Recess to Closed Session: Public Employee Performance Evaluation" at end of the agenda. All Directors were in agreement with the change in agenda order.*

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

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

No public comments regarding the Closed Session were made prior to recess.

<b>BOARD OF DIRECTORS DRAFT MINUTES</b>
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Chair Davis recessed the Board to Closed Session at 9:55 AM.

The Board reconvened from Closed Session at 10:06 AM.

Chair Davis reported out of closed session that no action was taken on the item.

**13. GENERAL MANAGER'S REPORT – (INFORMATIONAL)**

General Manager Estrada provided an update on District activities.

**14. OTHER BUSINESS AND REPORTS – (INFORMATIONAL)**

Chair Davis informed that the State Street Advisory Committee (SSAC) will hold a Meeting on October 23, 2023 to focus on mobility issues and the potential for shuttle service downtown.

Director Sarkar announced that on Wednesday, October 18, 2023 there will be a Central Coast Sustainability Summit taking place at the University of California, Santa Barbara (UCSB).

**15. ADJOURNMENT**

Chair Davis adjourned the meeting at 10:09 AM.



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**Santa Barbara Metropolitan Transit District**  
**Cash Report**  
**Board Meeting of November 7, 2023**  
**For the Period October 7, 2023 through October 27, 2023**

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**MONEY MARKET**

**Beginning Balance October 7, 2023** **\$5,782,339.60**

Passenger Fares	141,599.42
Accounts Receivable	130,797.00
Property Tax Revenue	71,757.19
Prepays & Advertising	15,102.20
Interest Income	1,986.25
Miscellaneous Income	402.23
<b>Total Deposits</b>	<b>361,644.29</b>

Bank & Credit Card Fees	(2,062.77)
Workers' Compensation	(26,817.28)
Miscellaneous Transfers	(36,684.59)
401(k)/Pension Transfer	(38,982.00)
Payroll Taxes	(172,903.41)
Payroll	(397,344.50)
Accounts Payable	(859,694.31)
<b>Total Disbursements</b>	<b>(1,534,488.86)</b>

**Ending Balance** **\$4,609,495.03**

**CASH INVESTMENTS**

LAIF Account	\$6,043,960.44
Money Market Account	4,609,495.03

**Total Cash Balance** **\$10,653,455.47**

**SELF INSURED LIABILITY ACCOUNTS**

WC / Liability Reserves	(\$4,076,144.71)
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**Working Capital** **\$6,577,310.76**

**Santa Barbara Metropolitan Transit District**  
**Accounts Payable**

Check #	Date	Company	Description	Amount	Voids
133305	10/12/2023	ABC BUS COMPANIES INC	BUS PARTS	418.10	
133306	10/12/2023	ASBURY ENVIRONMENTAL SERVI	WASTE OIL RECYCLER	230.00	
133307	10/12/2023	BNS ELECTRONICS, INC.	SANTA YNEZ SITE RENTAL	345.19	
133308	10/12/2023	BYD MOTORS LLC	CAPITAL LEASE PAYMENT	31,625.22	
133309	10/12/2023	CENTRAL COAST CIRCULATION, L	BUS BOOK DISTRIBUTION	777.00	
133310	10/12/2023	CENTRAL COAST TANK TESTING	TANK TESTS	387.07	
133311	10/12/2023	COASTAL HOUSING PARTNERSHIP	MEMBERSHIP DUES	2,000.00	
133312	10/12/2023	CHARGEPOINT, INC.	CHARGE READY BRIDGE PROJECT	49,650.00	
133313	10/12/2023	CHK AMERICA INC.	SCHEDULE INFO & SYSTEM MAP	1,087.50	
133314	10/12/2023	COMMUNITY RADIO, INC.	GIBRALTAR SITE RENTAL	304.70	
133315	10/12/2023	COMPLETE COACH WORKS	FLEET RENEWAL CAMPAIGN	45,409.00	
133316	10/12/2023	CINTAS CORPORATION	FIRST AID SUPPLIES	224.88	
133317	10/12/2023	COX COMMUNICATIONS, CORP.	INTERNET & CABLE TV	537.08	
133318	10/12/2023	CROCKER REFRIGERATION & AIR	HVAC MAINTENANCE	1,711.09	
133319	10/12/2023	CUMMINS SALES & SERVICE dba	BUS PARTS & REPAIRS	1,430.22	
133320	10/12/2023	EMERGENCY DRAIN SERVICES DB	DRAIN SERVICES	1,040.62	
133321	10/12/2023	EVERSHADE LLC DBA	STEAM CLEANING TC/EXPRESS ZONE	2,900.00	
133322	10/12/2023	GIBBS INTERNATIONAL INC	BUS PARTS	532.97	
133323	10/12/2023	GILLIG LLC	BUS PARTS	9,420.75	
133324	10/12/2023	GOLETA WATER DISTRICT	UTILITIES	235.14	
133325	10/12/2023	GRAYPHICS DIGITAL IMAGING D	PRINTING SERVICES	586.31	
133326	10/12/2023	GRAINGER, INC.	SHOP/B&G SUPPLIES	564.52	
133327	10/12/2023	H&H WHOLESALE PARTS	SV REPAIRS & SUPPLIES	347.39	
133328	10/12/2023	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	24.01	
133329	10/12/2023	INTELLICORP RECORD INC.	PRE-EMPLOYMENT CHECK	155.50	
133330	10/12/2023	KIMBALL MIDWEST	SHOP SUPPLIES	116.02	
133331	10/12/2023	LENZ PEST CONTROL DBA	FUMIGATION SERVICES	70.00	
133332	10/12/2023	MARBORG INDUSTRIES (INC)	UTILITIES & RENTAL FEES	231.00	
133333	10/12/2023	MAYAN LANDSCAPING	LANDSCAPE MAINTENANCE SERVICE	4,410.00	
133334	10/12/2023	MC CORMIX CORP. (OIL)	LUBRICANTS	3,241.39	
133335	10/12/2023	MC CORMIX CORP. (GAS)	FUEL-SERVICE VEHICLES	1,581.31	
133336	10/12/2023	MISSION LINEN SUPPLY, INC	UNIFORM & LINEN SERVICE	1,525.99	
133337	10/12/2023	MOUNTAIN SPRING WATER	SHOP & OFFICE SUPPLIES	1,084.75	
133338	10/12/2023	NFI PARTS DBA	BUS PARTS	125.10	
133339	10/12/2023	NS CORPORATION	BUS WASHER PARTS	261.89	
133340	10/12/2023	O'REILLY AUTO PARTS DBA	BUS/SERVICE VEHICLE PARTS	18.97	
133341	10/12/2023	REPUBLIC ELEVATOR, INC	ELEVATOR MAINTENANCE	192.10	
133342	10/12/2023	SANSUM CLINIC	MEDICAL EXAMS	2,252.00	



Check #	Date	Company	Description	Amount	Voids
133343	10/12/2023	STEWART'S DE-ROOTING & PLUM	PLUMBING REPAIRS	140.00	
133344	10/12/2023	TAC ENERGY LLC	RENEWABLE DIESEL	94,665.87	
133345	10/12/2023	VERIZON WIRELESS	WIRELESS PHONES & AIM CELLULAR	1,337.79	
133346	10/12/2023	WAXIE SANITARY SUPPLY DBA	JANITORIAL SUPPLIES	1,658.87	
133347	10/12/2023	WHITE ASSOCIATES DBA	BUS PARTS & REPAIRS	425.00	
133348	10/12/2023	WURTH USA WEST INC.	SHOP SUPPLIES	707.77	
133349	10/20/2023	ABC BUS COMPANIES INC	BUS PARTS	1,742.92	
133350	10/20/2023	AT&T WIRELESS	TELEPHONES	379.91	
133351	10/20/2023	ARISE INTERNATIONAL DBA	REFUND	18.00	
133352	10/20/2023	HENRY ANDREWS	RETIREE HEALTH REIMBURSEMENT	285.00	
133353	10/20/2023	ASBURY ENVIRONMENTAL SERVI	WASTE OIL RECYCLER	100.00	
133354	10/20/2023	BRINK'S INCORPORATED	ARMORED TRANSPORTATION SERVIC	761.72	
133355	10/20/2023	JAMES BRACKETT	RETIREE HEALTH REIMBURSEMENT	174.00	
133356	10/20/2023	KARL BRETZ	RETIREE HEALTH REIMBURSEMENT	279.00	
133357	10/20/2023	ARTHUR BURNS	RETIREE HEALTH REIMBURSEMENT	512.00	
133358	10/20/2023	ROBERT BURNHAM	RETIREE HEALTH REIMBURSEMENT	285.00	
133359	10/20/2023	CABRERA, RICARDO	RETIREE HEALTH REIMBURSEMENT	398.00	
133360	10/20/2023	GILBERT CALLES	RETIREE HEALTH REIMBURSEMENT	78.00	
133361	10/20/2023	MIKE CARDONA	RETIREE HEALTH REIMBURSEMENT	239.20	
133362	10/20/2023	STAN CISOWSKI	RETIREE HEALTH REIMBURSEMENT	143.00	
133363	10/20/2023	CUMMINS SALES & SERVICE dba	BUS PARTS & REPAIRS	2,835.76	
133364	10/20/2023	NANCY CURTIS	RETIREE HEALTH REIMBURSEMENT	248.34	
133365	10/20/2023	CA DEPT. OF TAX & FEE ADMIN.	QTRLY USER FUEL TAX	1,261.00	
133366	10/20/2023	CA. DEPT. of TAX & FEE ADMINIST	UNDERGROUND STORAGE TANK FEE	2,381.00	
133367	10/20/2023	DENMUN OFFICE SOLUTIONS DB	IT CONTRACT SERVICES	7,457.50	
133368	10/20/2023	ALLIANT POWER DBA	BUS PARTS	696.50	
133369	10/20/2023	EASY LIFT TRANSPORTATION, IN	MONTHLY ADA SUBSIDY	92,818.95	
133370	10/20/2023	ESP LOCKSMITH DBA	SV REPAIRS & SUPPLIES	614.44	
133371	10/20/2023	STATE OF CALIFORNIA	PAYROLL RELATED	525.00	
133372	10/20/2023	GENFARE LLC	FAREBOX REPAIRS & PARTS	12,193.77	
133373	10/20/2023	GIBBS INTERNATIONAL INC	BUS PARTS	19.87	
133374	10/20/2023	GILLIG LLC	BUS PARTS	2,581.18	
133375	10/20/2023	GARY GLEASON	RETIREE HEALTH REIMBURSEMENT	247.95	
133376	10/20/2023	GOODYEAR TIRE & RUBBER CO	BUS TIRE LEASE	11,857.57	
133377	10/20/2023	GRAPHICINK	PRINTING SERVICES	1,372.22	
133378	10/20/2023	GRAINGER, INC.	SHOP/B&G SUPPLIES	73.06	
133379	10/20/2023	JILL GRISHAM	RETIREE HEALTH REIMBURSEMENT	285.00	
133380	10/20/2023	JIM HAGGERTY	RETIREE HEALTH REIMBURSEMENT	285.00	
133381	10/20/2023	ALI HABIBI	RETIREE HEALTH REIMBURSEMENT	285.00	
133382	10/20/2023	RICHARD HARRIGAN	RETIREE HEALTH REIMBURSEMENT	166.00	
133383	10/20/2023	ROBERT HARTMAN, JR.	RETIREE HEALTH REIMBURSEMENT	855.00	

Check #	Date	Company	Description	Amount	Voids
133384	10/20/2023	HAYWARD LUMBER	SHOP/B&G SUPPLIES	83.64	
133385	10/20/2023	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	149.35	
133386	10/20/2023	IRON HORSE AUTO BODY OF SB D	VEHICLE REPAIRS	3,390.81	
133387	10/20/2023	JAY DANIEL ROBERTSON	RETIREE HEALTH REIMBURSEMENT	122.50	
133388	10/20/2023	JAVIER JIMENEZ	RETIREE HEALTH REIMBURSEMENT	348.00	
133389	10/20/2023	LOUIS JONES	RETIREE HEALTH REIMBURSEMENT	81.30	
133390	10/20/2023	LANSPEED DBA	IT SERVICES	2,935.00	
133391	10/20/2023	MC CORMIX CORP. (OIL)	LUBRICANTS	3,841.48	
133392	10/20/2023	MCMASTER-CARR SUPPLY CO.	SHOP/B&G SUPPLIES	85.87	
133393	10/20/2023	MILPAS RENTAL INC.	EQUIPMENT RENTAL	346.63	
133394	10/20/2023	MOHAWK MFG. AND SUPPLY CO.	BUS PARTS	946.22	
133395	10/20/2023	WILLIAM MORRIS	RETIREE HEALTH REIMBURSEMENT	267.10	
133396	10/20/2023	NATIONAL DRIVE	PAYROLL DEDUCTION	22.00	
133397	10/20/2023	NATIONAL INTERSTATE INS INC.	LIABILITY INSURANCE	72,863.29	
133398	10/20/2023	NEWEGG BUSINESS, INC	IT EQUIPMENT & SUPPLIES	196.92	
133399	10/20/2023	CARLOS ORNELAS	RETIREE HEALTH REIMBURSEMENT	304.00	
133400	10/20/2023	CAREY POINDEXTER	RETIREE HEALTH REIMBURSEMENT	285.00	
133401	10/20/2023	AL ROMERO SR.	RETIREE HEALTH REIMBURSEMENT	39.00	
133402	10/20/2023	SAFETY-KLEEN CORPORATION	B&G REPAIRS & SUPPLIES	518.80	
133403	10/20/2023	SANTA BARBARA FASTENERS, IN	FAREBOX PARTS & SUPPLIES	191.39	
133404	10/20/2023	SB COUNTY FEDERAL CREDIT UNI	PAYROLL DEDUCTION	260.00	
133405	10/20/2023	SILVAS OIL CO., INC.	LUBRICANTS	2,120.69	
133406	10/20/2023	SO. CAL. EDISON CO.	UTILITIES	9,821.07	
133407	10/20/2023	SOUTHERN TIRE MART LLC	BUS TIRE MOUNTING	681.93	
133408	10/20/2023	SOCALGAS	UTILITIES	165.14	
133409	10/20/2023	SPECIALTY TOOL & BOLT, LTD	SHOP SUPPLIES	156.93	
133410	10/20/2023	STANTEC ARCHITECTURE INC.	FACILITIES A&E SERVICES	7,106.95	
133411	10/20/2023	STAPLES CONTRACT & COMMERC	OFFICE SUPPLIES	14.01	
133412	10/20/2023	STEWART'S DE-ROOTING & PLUM	PLUMBING REPAIRS	600.92	
133413	10/20/2023	TEAMSTERS MISC SECURITY TRU	UNION MEDICAL INSURANCE	203,678.00	
133414	10/20/2023	TEAMSTERS UNION LOCAL NO. 18	UNION DUES	449.00	
133415	10/20/2023	TRISTAR RISK MANAGEMENT	WORKERS COMPENSATION ADMINIS7	16,410.75	
133416	10/20/2023	TAC ENERGY LLC	RENEWABLE DIESEL	31,736.26	
133417	10/20/2023	UNITED WAY OF SB	PAYROLL DEDUCTION	30.00	
133418	10/20/2023	J.C.M. AND ASSOCIATES INC.	UNIFORMS	557.62	
133419	10/20/2023	JOHN J. VASQUEZ	RETIREE HEALTH REIMBURSEMENT	258.40	
133420	10/20/2023	WAXIE SANITARY SUPPLY DBA	JANITORIAL SUPPLIES	746.83	
133421	10/20/2023	YACO SCHOLARSHIP FUND	PAYROLL DEDUCTION	35.00	
133422	10/20/2023	ALEXANDER YOUNG	RETIREE HEALTH REIMBURSEMENT	242.76	
133423	10/26/2023	ABC BUS COMPANIES INC	BUS PARTS	924.35	
133424	10/26/2023	AMERICAN MOVING PARTS, LLC	BUS PARTS	2,680.58	

Check #	Date	Company	Description	Amount	Voids
133425	10/26/2023	AUTOZONE STORES LLC	BUS/SERVICE VEHICLE PARTS	71.75	
133426	10/26/2023	CINTAS CORPORATION	FIRST AID SUPPLIES	321.37	
133427	10/26/2023	CROCKER REFRIGERATION & AIR	HVAC MAINTENANCE	572.83	
133428	10/26/2023	CUMMINS SALES & SERVICE dba	BUS PARTS & REPAIRS	4,039.13	
133429	10/26/2023	CDTFA	SALES/CONSUMER USE TAX	2,825.00	
133430	10/26/2023	ALLIANT POWER DBA	BUS PARTS	254.45	
133431	10/26/2023	EMERGENCY DRAIN SERVICES DB	DRAIN SERVICES	203.15	
133432	10/26/2023	ESP LOCKSMITH DBA	SV REPAIRS & SUPPLIES	413.25	
133433	10/26/2023	FRONTIER CALIFORNIA INC.	TELEPHONE SERVICE	1,152.27	
133434	10/26/2023	GIBBS INTERNATIONAL INC	BUS PARTS	941.97	
133435	10/26/2023	GILLIG LLC	BUS PARTS	8,569.84	
133436	10/26/2023	GRAPHICINK	PRINTING SERVICES	1,039.43	
133437	10/26/2023	GRAINGER, INC.	SHOP/B&G SUPPLIES	146.11	
133438	10/26/2023	KUBA INC	TAP TO PAY VALIDATORS	18,816.00	
133439	10/26/2023	LENZ PEST CONTROL DBA	FUMIGATION SERVICES	70.00	
133440	10/26/2023	MC CORMIX CORP. (GAS)	FUEL-SERVICE VEHICLES	1,587.53	
133441	10/26/2023	MOHAWK MFG. AND SUPPLY CO.	BUS PARTS	378.52	
133442	10/26/2023	NFI PARTS DBA	BUS PARTS	1,090.59	
133443	10/26/2023	PREVOST CAR (US) INC.	BUS/SERVICE VEHICLE PARTS	131.59	
133444	10/26/2023	O'REILLY AUTO PARTS DBA	BUS/SERVICE VEHICLE PARTS	383.94	
133445	10/26/2023	SANSUM CLINIC	MEDICAL EXAMS	2,892.00	
133446	10/26/2023	SILVAS OIL CO., INC.	LUBRICANTS	1,164.58	
133447	10/26/2023	SO. CAL. EDISON CO.	UTILITIES	1,190.06	
133448	10/26/2023	SOAP MAN DISTRIBUTIN DBA	BUS CLEANING SUPPLIES	123.81	
133449	10/26/2023	SOCALGAS	UTILITIES	15.68	
133450	10/26/2023	STAPLES CONTRACT & COMMERC	OFFICE SUPPLIES	72.83	
133451	10/26/2023	SB CITY OF-REFUSE/WATER	UTILITIES	881.89	
133452	10/26/2023	TREAS.TAX COLLECTOR,Harry E. H	PROPERTY TAXES	483.07	
133453	10/26/2023	TAC ENERGY LLC	RENEWABLE DIESEL	31,848.24	
133454	10/26/2023	VERIZON WIRELESS	WIRELESS PHONES & AIM CELLULAR	670.90	
133455	10/26/2023	WAXIE SANITARY SUPPLY DBA	JANITORIAL SUPPLIES	119.76	
133456	10/26/2023	WURTH USA WEST INC.	SHOP SUPPLIES	90.81	
133457	10/26/2023	FRONTIER CALIFORNIA INC.	TELEPHONE SERVICE	990.53	
				<b>859,694.31</b>	
Current Cash Report Voided Checks:				0.00	
Prior Cash Report Voided Checks:				0.00	
Grand Total:				<b>\$859,694.31</b>	

**Santa Barbara Metropolitan Transit District**  
**Cash Receipts of Accounts Receivable**

<b>Date</b>	<b>Company</b>	<b>Description</b>	<b>Amount</b>
10/10/2023	Department of Rehabilitation	Passes/Passports Sales	364.00
10/10/2023	Handyman Masters Co.	Advertising on Buses	166.00
10/12/2023	Goodland BBQ	Advertising on Buses	284.00
10/12/2023	SB School District	Passes/Token Sales	41,250.00
10/12/2023	UCSB - Parking Services-7001	Passes/Passports Sales	3,148.00
10/17/2023	City of SB Creeks Division	Advertising on Buses	300.00
10/17/2023	Mental Wellness Center	Advertising on Buses	3,440.00
10/18/2023	Cottage Hospital	Passes/Token Sales	157.50
10/18/2023	Moonlight Graphics/Mktg	Advertising on Buses	5,364.00
10/18/2023	UCSB - Regents of the University	Advertising on Buses	1,046.00
10/20/2023	Sol Wave Water	Advertising on Buses	520.00
10/23/2023	Wells Marketing, LLC	Advertising on Buses	5,359.50
10/23/2023	Yona Redz	Advertising on Buses	426.00
10/26/2023	CONAM RE Investments LLC	Option for Calle Real Quarterly Payment	25,000.00
10/26/2023	Montecito Bank & Trust	Advertising on Buses	2,722.00
10/27/2023	SB School District	Passes/Token Sales	41,250.00
<b>Total Accounts Receivable Paid During Period</b>			<b>\$130,797.00</b>



<b>BOARD OF DIRECTORS REPORT</b>
----------------------------------

**MEETING DATE:** NOVEMBER 7, 2023

**AGENDA ITEM: #7**

**DEPARTMENT:** PROCUREMENT

**TYPE:** ACTION ITEM

**PREPARED BY:** NANCY TILLIE

\_\_\_\_\_  
*Signature*

**REVIEWED BY:** GENERAL MANAGER

\_\_\_\_\_  
*Signature*

**SUBJECT:** FY22-23 AUDITED FINANCIAL STATEMENTS AND REPORTS

**RECOMMENDATION:**

Staff is recommending the Board accept the attached draft FY22-23 Audited Financial Statements and Reports.

**DISCUSSION:**

Attached are the draft audited Financial Statements and Required Supplementary Information As of and for the Fiscal Years Ended June 30, 2022 and 2023 With Independent Auditor's Report and Single Audit Report Year Ended June 30, 2023. The reports have been reviewed by Management Staff of SBMTD who represent that the information provided is correct to the best of their knowledge. The audit was carried out by Vasquez & Company LLP and the audit results will be presented to the Board by Roger Martinez, the Partner in charge of the audit. Although the report is in draft form, there are not expected to be material changes.

The determination of whether the financial statements of an entity accurately represent its financial position is one of the main purposes of a financial audit. The Independent Auditor's Report found that "In our opinion the accompanying financial statements...present fairly, in all material respects, the financial position of the Santa Barbara Metropolitan Transit District as of June 30, 2023 and 2022[.]" Additionally, for the Single Audit Report the auditors found, "In our opinion, the District complied, in all material respects, with the compliance requirements ... in its major federal program for the year ended June 30, 2023." There were no "findings" for fiscal year 22-23 that would have reported any compliance issues with state and federal requirements.

**ATTACHMENTS:**

Financial Statements & Required Supplementary Information  
Single Audit Report



# FINAL DRAFT



**Santa Barbara Metropolitan Transit District  
Financial Statements and  
Required Supplementary Information  
*As of and for the Fiscal Years Ended June 30, 2023 and 2022  
With Independent Auditor's Report***

# FINAL DRAFT

**Santa Barbara Metropolitan Transit District  
Financial Statements and  
Required Supplementary Information  
*As of and for the Fiscal Years Ended June 30, 2023 and 2022  
With Independent Auditor's Report***



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# FINAL DRAFT

## **FINANCIAL SECTION**



## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying basic financial statements of the Santa Barbara Metropolitan Transit District, California (the District), as of and for the years ended June 30, 2023 and 2022, and the related notes to financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023 and 2022, the changes in its financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



# FINAL DRAFT

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.



# FINAL DRAFT

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15 and the Schedules of Changes in the Net Other Postemployment Benefits (OPEB) Liability and Related Ratios on page 47, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board (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 GAAS, 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 \_\_, 2023, 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 solely 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 the effectiveness of the District's 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.

**Glendale, California**  
**November \_\_, 2023**

This *Management's Discussion and Analysis for Fiscal Year 2022-23* provides a narrative and analytical overview of the financial activities of the Santa Barbara Metropolitan Transit District (the 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 followed by notes to the financial statements. *Compliance Reports*, a separate but integral part of the financial audit, provides certain supplementary information required by state and federal regulations, and the Government Accounting Standards Board (GASB). The financial statements include the following:

- The *Statements of Net Position* present information on the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is by definition the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources.
- The *Statements of Revenue, Expenses, and Changes in Net Position* report 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 *Statements of Expenses* provide a more detailed breakdown of the operating costs included in the *Statements of Revenue, Expenses and Changes in Net Position*.
- The *Statements of Cash Flows* report 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 COVID-19 pandemic continues to affect the District's financial condition from its declaration in March 2020, into the 2022-2023 fiscal period. While the COVID-19 pandemic State of Emergency and governmental mandates were removed officially, the pandemic continued to impact many aspects of operations, from Service to Staffing along with Procurement challenges of supply chain shortfalls and higher than anticipated inflation levels leading to price increases.

Ridership per revenue hour has returned to 92% of pre-pandemic levels. The lifting of State and Federal restrictions has made a positive impact on the ridership return, along with higher prices for gasoline. As a result, the twelve months of fare revenue collection surpassed the FY22-23 budget by 6%. Services remained at current levels with plans to restore previous reductions as operators were brought on board through a priority focus on recruitment strategies. There continued to be pandemic-related revenue losses and expense increases as well. Budget assumptions included cost levels of less than the inflation, conservative increases to collection of fares, a new service plan, as well as filling several vacancies. The District utilized federal COVID-19 relief funds to mitigate the negative fiscal impact of these events.

Of particular note during January 2023, the District faced a catastrophic weather event and with a day of interrupted service due to road closures and safety precautions, was able to return to service without barrier or significant cost. Disaster planning and training, along with vehicle maintenance, facility upkeep and overall management and staff communication practices permitted the organization to mobilize, protect assets, maintain safety and respond appropriately to the emergency. The District was called upon to support evacuation relief efforts in Montecito.

A new Government Standards Board pronouncement was implemented by the District during FY22-23. Government Accounting Standards Board (GASB) Statement No. 96, (GASB 96) defines how governmental entities need to account for Subscription-Based Information Technology Arrangements (SBITAs), effective for fiscal years beginning after June 15, 2022. The District enters into subscription-based contracts (right-to-use) for Information Technology (IT) software and associated tangible capital assets on a subscription basis, different from purchasing licenses and equipment outright in perpetuity, as ownership. For FY22-23, the District recognized \$189,917 in Subscription Assets.

The *Net Position* of the District at June 30, 2023, which measures the amount that assets and deferred outflows of resources exceed liabilities and deferred inflows of resources, was \$46.4 million, up 2% for the year. This change is based on the capital activities and the deferred inflows and outflows<sup>1</sup> for the year. The receipt of COVID-19 federal subsidy funding balanced the operating budget. Without the additional funding, the District would have incurred a \$1.1 million operating deficit in FY22-23 that would have further reduced the District's net position. This *Management's Discussion and Analysis for Fiscal Year 22-23* will further review this outcome as well as discuss the District's future financial outlook.

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<sup>1</sup> Deferred inflows and outflows reflect adjustments to MTD's retiree health benefit liabilities.

## Statements of Net Position

The \$0.7 million increase in the District's *Net Position* was the result of a \$0.8 million increase in the District's assets and a \$0.1 million increase in its liabilities. The table below is a simplified version of the *Statements of Net Position* on page 16 of this audit report.

	2023	2022
	(thousands of dollars)	
Assets		
Current assets	\$ 19,218	\$ 19,637
Non-current assets	2,800	2,170
Capital assets	36,289	36,028
Subscription assets	110	-
Total assets	<u>58,417</u>	<u>57,835</u>
Deferred outflows of resources	<u>660</u>	<u>416</u>
Total assets and deferred outflows of resources	<u>\$ 59,077</u>	<u>\$ 58,251</u>
Liabilities		
Current liabilities	\$ 2,916	\$ 3,201
Non-current liabilities	9,460	8,977
Total liabilities	<u>12,376</u>	<u>12,178</u>
Deferred inflows of resources	<u>290</u>	<u>357</u>
Net Position		
Net investment in capital assets	35,186	34,657
Unrestricted	11,225	11,059
Total net position	<u>46,411</u>	<u>45,716</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 59,077</u>	<u>\$ 58,251</u>

Assets – The \$59.0 million in *Total Assets & Deferred Outflows* at June 30, 2023, represents a 1% increase from the prior year. *Current Assets*, comprised mainly of cash, receivables, and inventory, were down 2%. Cash and investments decreased 22% but this was more than offset by increased yearend receivables for grant reimbursements and other receivables. Bus parts inventories increased due to the three-position bicycle racks being placed into inventory for internal control tracking purposes. Prepaid expenses increased 15%. APTA membership was paid earlier in this fiscal year and clever devices hardware/software warranties were paid for the first time since the installation contract.



*Non-Current Assets*, excluding fixed assets, of \$2.8 million increased \$0.7 million as advance grant funds received from University of California of Santa Barbara (UCSB) cash restricted for future capital improvements in the amount of \$0.1 million and for Low Carbon Transit Operations Program (LCTOP) funds allocated for electrification infrastructure upgrade (Haley/Salsipuedes Canopy) in the amount of \$0.5 million.

The \$36.3 million value of the District's *Capital Assets (net)* represented a \$0.3 million increase from the start of FY22-23. This is reflective of \$4.8 million in newly acquired fixed assets offset by the year's \$4.4 million in asset depreciation and \$0.1 million in asset disposals/reclassifications. Capital assets also take account of a \$2.2 million lease liability for six BYD 30' electric buses. A description of the year's asset acquisitions is found later in this review.

Liabilities – FY22-23 experienced a 2% increase in *Total Liabilities* to \$12.4 million from \$12.2 million. *Current Liabilities*, comprised of accounts payable and liabilities due within one year, were down mainly from a reduction in the Accrued Payables as there was less payroll expense accrued at year-end. For *Non-Current Liabilities*, the 5% increase consists primarily of the increase in OPEB of \$0.5 million due to an updated actuarial assessment. The OPEB retiree health benefit obligation is elaborated upon below.

Net Position – The total net position of the District increased by 2% to \$46.4 million from \$45.7 in FY21-22. The first component of net position is *Invested in Capital Assets* of \$35.2 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 \$11.2 million, which increased by \$0.1 million 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 COVID-19 Federal Subsidy funding. *Unrestricted Net Position* is representative of the *Current Assets* that are not dedicated to specific purposes or liabilities and 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. It differs from a typical income statement in that it includes capital revenues. Below is a revised version of this financial statement that separates operating and capital revenue to assist in the discussion.

	<u>2023</u>	<u>2022</u>	<u>Change</u>
	(thousand of dollars)		
Revenues			
Fare revenue	\$ 4,699	\$ 4,679	0%
LTF sales tax revenue	10,513	10,290	2%
Federal operating grants	6,887	5,476	26%
Measure A sales tax revenue	2,987	2,885	4%
Other operating subsidies	973	1,245	-22%
Property tax revenue	1,689	1,543	9%
Non-transportation income	482	379	27%
Total operating revenues	<u>28,230</u>	<u>26,497</u>	7%
STA capital revenue	523	2,283	-77%
Federal capital grants	2,807	217	1194%
Measure A capital revenue	1,539	499	208%
Other state capital funds	281	6	4583%
Total capital revenue	<u>5,150</u>	<u>3,005</u>	71%
Total revenue	<u>33,380</u>	<u>29,502</u>	13%
Expenses			
Route operations	15,981	15,773	1%
Vehicle maintenance	6,062	5,208	16%
Passenger accommodations	1,863	1,719	8%
General overhead	4,008	3,708	8%
Total operating expenses before depreciation and amortization	<u>27,914</u>	<u>26,408</u>	6%
Capital asset depreciation and amortization	4,518	4,364	4%
Total operating expenses	<u>32,432</u>	<u>30,772</u>	5%
Loss on disposal of assets	13	334	-96%
Other post-employment benefit adjustment	240	110	118%
Total non-operating expenses	<u>253</u>	<u>444</u>	-43%
Total expenses	<u>32,685</u>	<u>31,216</u>	5%
Change in net position	695	(1,714)	-141%
Net position, beginning of year	45,716	47,430	-4%
Net position, end of year	<u>\$ 46,411</u>	<u>\$ 45,716</u>	2%

Operating Revenue – The collection of fares remained fairly constant during the past fiscal year. As mentioned previously, ridership has returned to 92% of pre-pandemic levels. Ridership increased 11% over FY21-22. Grants and appropriations represented 80% of total operating revenue during the period. Fare Revenues were \$0.2 million over budget in FY22-23, and collections surpassed FY21-22 by approximately \$0.02 million.

*LTF Sales Tax Revenue* provided \$10.5 million in sales tax subsidies to support operations. Overall LTF sales tax receipts rose 2% from FY21-22. Increased sales and higher prices accounted for this growth. *Measure A Sales Tax Revenue* of \$3.0 million, derived from locally generated sales tax receipts, performed over budget by approximately \$0.2 million and \$0.1 million more than FY21-22. This growth is a result of inflation, higher base prices, and consumer spending.

*Federal Operating Grants* from the Federal Transit Administration (FTA) provided \$6.9 million which comprise of Section 5307 formula assistance in the amount of \$5.4 million, \$1.3 million in American Rescue Plan Act (ARPA) of 2021 Funding and \$0.2 million from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). These funds were used to pay for added operating costs associated with the Pandemic and defray revenue losses in order to balance the budget. Further discussion of these federal sources is included in the *Financial Outlook* at the end of this financial review.

*Other Operating Subsidies* substantially decreased relative to FY21-22 as subsidized Line 12x, Line 14x and Line 28 reduced its services due to driver shortages. With the continued escalation in real property values, District *Property Tax Revenue* of \$1.7 million reflected a 9% growth from the previous fiscal year. To date, this source of revenue has remained impervious to the ill effects of the coronavirus on the local economy.

Capital Revenue – The year's \$4.8 million in capital asset acquisitions are not included in the *Statements of Revenues, Expenses and Changes in Net Position* and are discussed separately under the *Capital Assets* section. The statement does include the revenue sources funding the FY22-23 acquisitions.

These included Measure A, State Transit Assistance, and federal funding. The local sales tax support from Measure A was \$1.5 million; STA funds from diesel fuel sales tax and vehicle license fees contributed \$0.5 million; and federal support was from ARPA and CRRSAA funding of \$2.8 million, which was allocated to fleet renewal campaign, contactless payment equipment and various local grants for specialized projects.

Operating Expenses – The District expended \$32.4 million for the provision of transit service during FY22-23. The increase of 5% from the previous fiscal year included the Board's decision to recognize the District's front-line workers during the early days of the pandemic, which resulted in a COVID-19 payments made to those employees in July 2022. During FY22-23, the Board approved Collective Bargaining Agreements and a Staff Compensation study; wages were increased at July 1, 2022 and January 1, 2023 for represented employees and at January 1, 2023 for non-represented staff. There was also an appropriate reclassification of Capital Projects, the ZEB Roll-Out Plan and the California Energy Commission Blueprint Grant to Operating Expenses. Inflationary price level increases resulted in added costs. Capital Asset Depreciation represents the allocation of an asset's cost over its expected useful life.

*Service Level* – Due to shortage of bus operators in FY21-22, services were reduced by 12.9%. Even though ridership on a per hour basis was attained at 92% of pre-pandemic levels, the service level was 7% less than budget plan. Operating expenses were \$2.2 million less than expected over a number of categories driver wages and benefits, fuel, lubricants, tire leasing, and other variable costs.

*Employment Level* – In FY20-21, SBMTD experienced a sizeable loss of drivers from attrition and retirements exacerbated by the DMV's suspension of new driver testing. Even with intensive recruitment efforts, the organization was unable to reach the goal of 135 FTE for drivers. There is still an industry-wide and local labor shortage impacting not only drivers, but positions in several areas of the organization. Fringe benefits are driven by the employment level (e.g., pension and health costs), thus keeping operating costs from reaching the budget projection. Employment levels ended below the budgeted amount as a result of the pandemic therefore, service was not fully restored in FY22-23. Staff vacancies impacted Route Operations, Vehicle Maintenance, and General Overhead and were the reason these functions are under the budgeted expense.

*Risk & Safety* – There was a 15% reduction in workers' compensation outlays and claim reserves relative to FY20-21. The predominant factors were lower claim reserves for the current year and a downward adjustment in reserves for events occurring prior to FY22-23.

*Bus Fuel* – The renewable diesel contract at \$1.65 per gallon expired on June 30, 2022, keeping fuel costs below the budgeted amount for FY 21-22. A new fuel contract was issued on January 1, 2023, after Procurement completed a Public Solicitation Invitation For Bid at the price of \$3.4514/gallon through December 31, 2023. This increase in price is reflected in the Vehicle Maintenance expenses.

*COVID-19 Costs* – There were still pandemic costs in FY22-23 amounting to \$0.2 million which is lower than the cost in FY21-22 of \$0.3 million, which represent outlays for the daily disinfection of buses, facilities, and service vehicles as well as personal protective equipment for employees. These costs were reimbursed from COVID-related Federal Government Grants.

*Non-Operating Expenses* – Non-operating costs are comprised of transactions not directly related to the District's normal business activities. *Loss on Disposal of Assets* corresponds to the undepreciated portion of fixed assets retired before the end of their estimated lives. The *OPEB Liability Adjustment* reflects the annual change in the actuarially based retiree health benefit liability, considered an Other Post Employment Benefit (OPEB). OPEB is discussed in greater detail in a separate section later in this review.

## Budget Analysis

For purposes of analysis, Coronavirus Aid, Relief, and Economic Security (CARES) Act funding used to offset the operating deficit and the actuarial based annual OPEB adjustment are not included in the budget variance table on the following page.<sup>2</sup> The operating deficit of \$1.1 million was ostensibly lower than the budget projection of a \$4.8 million shortfall. The improved outcome was achieved through much greater revenue and fewer expenses than estimated. As discussed in the comparison to prior year results, a reduced service level, full year of Fare Revenue and growth in sales tax subsidies contributed to the majority of the smaller deficit. FTA grant funds resulted in an additional \$0.2 million of FTA operating revenue for the year, over the budgeted amount. As previously mentioned, the FTA Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan Act of 2021 (ARPA) grants funding covered those expenses.

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<sup>2</sup> Relief funding and OPEB expense are not included in the budget considered by the Board.

**FY 22-23 Operating Budget Variance\***  
(thousand of dollars)

	Actual	Budget	Variance
<b>Revenues</b>			
Fare revenue	\$ 4,699	\$ 4,438	6%
LTF sales tax revenue	10,513	10,045	5%
Federal operating assistance	5,447 *	5,277	3%
Measure A sales tax revenue	2,987	2,753	8%
Other operating subsidies	973	835	17%
Property tax revenue	1,689	1,544	9%
Non-transportation income	482	347	39%
<b>Total revenues</b>	<b>26,790</b>	<b>25,239</b>	<b>6%</b>
<b>Expenses</b>			
Route operations	15,981	16,957	-6%
Vehicle maintenance	6,062	6,943	-13%
Passenger accommodations	1,863	1,856	0%
General overhead	4,008	4,320	-7%
<b>Total expenses</b>	<b>27,914</b>	<b>30,076</b>	<b>-7%</b>
<b>Operating income/(deficit)</b>	<b>\$ (1,124)</b>	<b>\$ (4,837)</b>	

\* CARES Act funding and annual OPEB adjustment excluded for budget analysis.

Operating Revenue Budget – Fare Revenue collection resumed at the end of the prior fiscal year and \$4.7 million was substantially above the projection for the year by \$0.3 million. Still operating during the pandemic, the budget was difficult to estimate not knowing what ridership levels would be, however the ridership grew to 92% of pre-pandemic levels. Conservatively, the fare income was budgeted at nearly what the actual collection was from the prior year. LTF Sales Tax Revenue and Measure A Sales Tax Revenue topped the budget by 5% and 8%, respectively, due to the unexpected strength in retail sales and pricing increases as previously discussed, while only expecting to increase 2%. Federal Operating Assistance of \$5.4 million was as anticipated. As mentioned earlier, Property Tax Revenue growth continued during the year leading to a 9% higher than the budgeted amount. Housing prices rose as demand outpaced inventory.

Operating Expense Budget – Total operating expenses of \$27.9 million were 7% less than estimated. Again, the service level reduction was the largest factor in the budget variance just as it was for the prior year differential. In this case, the 171,000 revenue hours provided were 7% below the 183,000 hours budgeted. Thus, the various direct costs of providing transit were held down below forecasted levels. The District has been facing a labor shortage as many in the Transit Industry and locally. Vacancies have been difficult to fill although recruitment efforts continue. Workers' compensation costs were also well below budget due to the downturn in claim payouts and reserves previously discussed. Even though there were significant variances in staff salaries, a positive trajectory in hiring and filling vacancies continued throughout the year.

## Capital Assets

Capital assets with a value of \$4.8 million were acquired in FY22-23. A breakdown by asset category follows below.

### Capital Acquisitions (thousand of dollars)

Asset Category	2022-23	2021-22
Revenue vehicles	\$ 3,769	\$ 1,523
Passenger facilities	77	22
Property development	66	147
Non-revenue equipment	196	5
IT and security systems	-	8
Operating facilities	553	1,286
Intelligent transportation systems	141	13
Total capital acquisitions	\$ 4,802	\$ 3,005

*Revenue Vehicle* capital outlays included capital lease payments for the remaining six 30' Electric BYD buses and the "Fleet Renewal Campaign". This vehicle restoration project ensures the organization continues to meet the Transit Asset Management program requirements through extending the life of a significant portion of the fleet and providing ready replacements during fleet maintenance.

*Passenger Facility* improvements consist of the beginning of the Bus Stop Improvement Project. Three (3) LNI Bus Stop Shelters have been acquired to replace three (3) existing bus stop shelters in downtown Santa Barbara and replacement bus stop benches.

*Property Development* efforts for the Calle Real Property Development continued as the Board of Directors approved an option to develop the property with Con Am, LLC.

*Non-Revenue Equipment* refers to non-passenger vehicles for operations, shop equipment, office furniture and equipment. During FY22-23 three (3) Hybrid Toyota Highlanders were purchased for operational support including Farebox management. The District acquired four (4) Column Lifts, and a Diesel Particulate Filter Pneumatic Cleaning Machine along with other equipment. After nearly 10 years, a replacement for Canon photocopier/scanner/fax machine was acquired, a new Hyper V data server, laptop computers and furniture were also purchased.

*Operating Facilities* capital investments included the Terminal 2, Phase I Planning and Construction drawings which were completed and the investments into the improvements at Terminal 1 for the Electric Vehicle Charger Project, Charge Ready Bridge project bringing that project to near completion.

The bulk of *Intelligent Transportation Systems* outlays was for application software to enhance route planning capabilities and efficiency, programming for the UCSB Dual-Chip Smartcard, and a Motorola 40-watt UHF repeater.

## Other Postemployment Benefits (OPEB)

The District provides retiree health benefits to employees meeting certain employment criteria. For a comprehensive review of these Other Postemployment Benefits (OPEB), see Note 14 of these Financial Statements. Per government accounting standards, a liability for the present value of future OPEB financial obligations is recorded in the *Statements of Net Position*. At the end of FY22-23, the total OPEB liability was \$3.5 million, a 6% increase from the prior year. The reason for the higher liability was a lower discount rate as a result of the general decrease in interest rates.

To pay for future OPEB obligations, the District established an irrevocable trust in 2017, which was funded with \$1.5 million in the first two years. The estimated value of the OPEB trust at year end, including investment earnings, was \$1.7 million. Reducing the \$3.5 million liability by the trust funds, the net OPEB liability was \$1.8 million, as shown on the *Statements of Net Position*.

## Financial Outlook

With interest for restored and additional public transit service received from throughout the region, such as to Santa Barbara's Downtown and Waterfront, Carpinteria, SBCC, Goleta Library, and more, the need to fill vacant bus operator positions is still clear. With reductions in inflation, Sales Tax may be slowing and expenses will need to respond, accordingly.

While the COVID-19 pandemic has been declared over, its impact continues to create some challenges around financial planning even though the ridership levels of transit services on Santa Barbara's South Coast have appeared to return. A \$4.5 million operating deficit is projected for FY23-24. Passenger Fares have resumed at beyond budget level during this period. Predicting operating budget outcomes will improve with fare revenue experience, however, service capacity, particularly associated with the shortage of drivers will take more time. Costs have increased in labor as well as fuel. The inflation rate is averaging 8% for the first time in a decade. Although continuing deficits are expected in the near term, there are some available federal resources for support. A Short-Range Transportation Plan was completed which has provided the framework upon which to build upon.

Federal Relief Funding – The District has been allocated federal economic relief funding through the CARES Act, the CRRSAA, and ARPA grants. For public transit, these funds are limited to covering operating and capital expenses incurred and revenues lost as a result of the pandemic. The allocations are intended to provide financial assistance for the duration of the economic fallout of the pandemic, expected to span several more years. The District has been allocated a combined \$36.7 million from the three bills. The balance remaining at June 30, 2023 is \$26 million. The funds provide support for all South Coast public transit operations and will include allocations to Easy Lift for paratransit services as needed. During FY22-23, the use of \$1.5 million of the relief funding was required to defray pandemic-related losses and health and safety improvements.

Fare Revenue – Fare collection on buses has been improving. Fare contracts with SBCC and UCSB for free student boarding are in effect and have been updated and ratified. Ridership is at 92% of the pre-pandemic level. Cash fares and pass sales are up to 80% of pre-pandemic levels, which is considerably higher than estimated. The question still remains as to when and to what extent overall fare revenue will return to pre-pandemic heights. The reduction in the service level impacts fares (while also decreasing expenses). The Short-Range Transit Plan Study was completed in FY22-23 in order to assist in gauging the community's needs and recommendations for fulfilling that obligation. Of course, the healthy outcome from this fiscal year is providing insight into the future funding of public transit service on the South Coast.

Prior to the pandemic, the District's farebox return ratio<sup>3</sup> was consistently above 25%. A better-than-expected fare collection took place in FY22-23. For FY22-23, the farebox ratio was projected at 18% based on the budget, although a better outcome than budgeted was experienced. A condition for receipt of sales tax provided under the state's Transportation Development Act (TDA) is meeting a target farebox ratio that is dependent upon agency size. During the COVID-19 pandemic, the state suspended the minimum farebox ratio funding criteria until further notice.

Federal §5307 Funding – The District's \$8.6 million in FTA Section 5307 Urbanized Area Formula Program in FY22-23 was allocated through the first year of the Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL). The District's §5307 apportionment again included merit-based STIC program funds. Based on the changes in the Santa Barbara UZA described in the next paragraph, MTD will no longer be eligible as a Large UZA for STIC program funds. The District projects it will be able to spend the entire \$5.2M it will receive in future years as mentioned below.

Santa Barbara UZA – One of the main determinants of the District's Section 5307 formula funding apportionment is the population of the Santa Barbara urbanized area (UZA). This population is determined by the U.S. Census Bureau. The 2020 Census found that the Santa Barbara UZA population exceeds 200,000, therefore MTD transitioned from a "small" urbanized area to a "large" urbanized area. The result is the loss of the IIJA to nearly \$3 million, previously allocated to capital. Staff expects to be able to spend the allocation as prescribed:

Budgeted 5307 Revenue	\$ 5,277,120
50% Operating between	
76/100 buses in peak service	2,638,560
Maintenance	1,653,432
10% ADA Paratransit (Easy Lift)	527,771
Lease payments	365,008
1% Public Transportation	
Security Projects	52,771
0.75 % Safety Related Projects	39,578

Adjustments in FTA funding from the census results are expected to first take effect for FY23-24.

STA Funding – State Transit Assistance Funds (STA) allocated to the District each year are held in trust by the Santa Barbara County Auditor-Controller until needed. Although available for operating purposes under certain conditions, the District's practice is to use STA for capital expenses. As the District incurs costs for capital projects funded with STA, a request is submitted to the County for reimbursement. Under accounting standards, STA funds held in trust are not recognized in the District's financial statements. The District's FY22-23 STA allocation was \$2.3 million while \$0.5 was spent on capital projects during the period. This increased the STA balance held by the County to \$14.5 million. The District's five-year capital budget includes full use of this balance.

Collective Bargaining Agreement – District drivers, driver supervisors, mechanics, and service workers are represented by the International Brotherhood of Teamsters Local 186. A three-year collective bargaining agreement contract was reached in July 2022, and will expire at the end of FY24-25.

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<sup>3</sup> The farebox return ratio is equal to fare revenue divided by total operating costs. It is a key financial performance indicator measuring the extent that a transit operator is covering its operating expenses with passenger fares.



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. To accelerate the elimination of District-generated greenhouse gas emissions, the Board has adopted a goal for a carbon-free fleet by 2030. While challenging, the District is making headway toward accomplishing the goal with emission-free replacement buses on order and an increase in charging infrastructure capacity that will soon be completed.

EV Bus Acquisitions – The District currently has nine 40-ft. New Flyer battery-electric buses on order, with delivery expected beginning in September 2023 and continuing into early 2024. The District has secured approximately \$6.0 million in FTA funds for these buses. The match for the federal funds will be covered through a number of state and local programs. With the nine new buses, the revenue vehicle bus fleet will include 23 ZEVs. During the fiscal year, the District was awarded funding for eight (8) 40' ZEVs through the state Transit Inter-City Rail Capital (TIRCP) Program, which will be procured during FY23-24. Subsequently, the District was awarded grant funding for an additional six (6) 40' ZEVs from Cal Trans under the Solutions for 101 Congested Corridors program. The District also has three electric vans for the upcoming new micro transit service funded through TIRCP.

SCE Charge Ready Project – An SCE Charge Ready Heavy-Duty program grant will provide the onsite electrical capacity to install 14 new charge ports at Terminal 1. The District is responsible for the infrastructure to bring the power to the charging stations. This project has been under construction and completion estimated early 2024. The facility will then have a total of 29 charge ports available to support the transition to zero emission buses.

Microgrid – The District was awarded a California Energy Commission grant to fund a plan for developing a microgrid at Olive Terminal. A microgrid would use solar arrays, energy storage batteries, and a power management system to maintain the District's bus charging infrastructure during power disruptions. The District has engaged the services of Calstart and the City of Santa Barbara to assist in developing the plan. The plan is to be completed early in FY23-24.

Overpass Terminal Recommissioning – Preliminary work for the reopening of the District's Overpass Terminal in the City of Goleta is underway. One goal of the project is to accommodate the dispatch of up to 30 zero-emission buses at the site. The design of the revamped facility is in the permitting stage with the goal of initiating construction project work in the spring of 2024.

Calle Real Development – During FY22-23, the Board of Directors approved an agreement for residential development of the District's Calle Real property with a Development Organization. The District's property includes 19 acres of real estate north of Calle Real between Highway 154 and Turnpike Road.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's financials for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Manager, Santa Barbara Metropolitan Transit District, 550 Olive Street, Santa Barbara, CA 93101.

# FINAL DRAFT

**FINANCIAL STATEMENTS**

# FINAL DRAFT

## Santa Barbara Metropolitan Transit District Statements of Net Position

	June 30	
	2023	2022
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current assets</b>		
Cash and investments	\$ 7,710,326	\$ 11,223,850
Grants receivable	9,799,572	7,075,533
Other receivable	168,729	72,768
Materials and supplies inventories	1,110,919	893,522
Other current assets	428,211	371,249
<b>Total current assets</b>	<b>19,217,757</b>	<b>19,636,922</b>
<b>Noncurrent assets</b>		
Cash and investments restricted for capital support	2,799,715	2,170,375
Capital assets:		
Tangible transit operating property	87,650,835	83,326,045
Right-of-use asset	2,174,252	2,174,252
Less: Accumulated depreciation/amortization	(53,535,997)	(49,472,777)
Capital assets, net	36,289,090	36,027,520
Subscription assets:		
Right-of-use asset	189,917	-
Less: Accumulated amortization	(80,317)	-
Subscription assets, net	109,600	-
<b>Total noncurrent assets</b>	<b>39,198,405</b>	<b>38,197,895</b>
<b>Total assets</b>	<b>58,416,162</b>	<b>57,834,817</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amounts related to other postemployment benefits (OPEB)	660,511	416,598
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 59,076,673</b>	<b>\$ 58,251,415</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 723,701	\$ 744,011
Accrued payroll	215,911	598,353
Accrued expenses	162,091	170,232
Unearned revenue	88,771	55,410
Claims liability - current portion	777,784	838,578
Compensated absences payable - current portion	639,554	526,664
Lease liability - current portion	284,434	267,910
Subscription liability - current portion	23,188	-
<b>Total current liabilities</b>	<b>2,915,434</b>	<b>3,201,158</b>
<b>Noncurrent liabilities</b>		
Compensated absences payable, net of current portion	713,238	685,883
Advances on grants	2,799,715	2,170,375
Claims liability, net of current portion	3,288,266	3,664,311
Net OPEB liability	1,818,431	1,353,678
Lease liability, net of current portion	818,512	1,102,946
Subscription liability, net of current portion	22,084	-
<b>Total noncurrent liabilities</b>	<b>9,460,246</b>	<b>8,977,193</b>
<b>Total liabilities</b>	<b>12,375,680</b>	<b>12,178,351</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amounts related to other postemployment benefits (OPEB)	289,779	357,301
<b>NET POSITION</b>		
Net investment in capital assets	35,186,144	34,656,664
Unrestricted	11,225,070	11,059,099
<b>Total net position</b>	<b>46,411,214</b>	<b>45,715,763</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 59,076,673</b>	<b>\$ 58,251,415</b>

See notes to financial statements.

# FINAL DRAFT

## Santa Barbara Metropolitan Transit District Statements of Revenues, Expenses, and Changes in Net Position

	Years ended June 30	
	2023	2022
<b>OPERATING REVENUES</b>		
Passenger fares	\$ 4,699,103	\$ 4,679,202
<b>OPERATING EXPENSES</b>		
Route operations	15,980,817	15,773,462
Vehicle maintenance	6,061,703	5,208,407
Passenger accommodations	1,863,305	1,719,449
General overhead	4,007,440	3,707,973
Postemployment health care benefits	240,028	110,460
<b>Total operating expenses before depreciation and amortization</b>	<b>28,153,293</b>	<b>26,519,751</b>
Depreciation and amortization	4,517,982	4,363,884
<b>Total operating expenses</b>	<b>32,671,275</b>	<b>30,883,635</b>
<b>OPERATING LOSS</b>	<b>(27,972,172)</b>	<b>(26,204,433)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Non-transportation revenue, including interest, advertising, rent, and miscellaneous	482,388	379,128
Taxes levied by Santa Barbara County for the District	1,688,646	1,543,251
Transportation Development Act funding and allocations	10,513,434	10,290,329
Federal grants	6,887,125	5,476,249
Measure A grants	2,987,313	2,885,090
Miscellaneous grants	972,909	1,244,990
Loss on disposal of assets, net of proceeds	(12,728)	(334,098)
Interest expense	(1,816)	-
<b>Nonoperating revenues, net</b>	<b>23,517,271</b>	<b>21,484,939</b>
<b>CAPITAL CONTRIBUTIONS</b>		
Capital grants:		
Federal Transit Administration	2,807,229	216,623
State Transit Assistance	522,738	2,283,489
Measure A	1,539,085	499,172
Miscellaneous	281,300	5,623
<b>Total capital contributions</b>	<b>5,150,352</b>	<b>3,004,907</b>
<b>CHANGE IN NET POSITION</b>	<b>695,451</b>	<b>(1,714,587)</b>
<b>NET POSITION</b>		
Beginning of year	45,715,763	47,430,350
End of year	\$ 46,411,214	\$ 45,715,763

See notes to financial statements.

	Years ended June 30	
	2023	2022
<b>LABOR</b>		
Operators' wages	\$ 6,800,987	\$ 6,965,186
Other salaries and wages	4,988,025	4,781,571
<b>Total labor</b>	<b>11,789,012</b>	<b>11,746,757</b>
<b>FRINGE BENEFITS</b>		
Payroll taxes	1,082,676	1,042,088
Retirement plans	1,268,824	1,341,325
Health and welfare	3,289,352	3,046,936
Workers compensation	539,718	469,401
Sick pay	305,849	402,193
Holiday pay	398,339	403,291
Vacation pay	857,741	798,420
Other paid absences	750,276	114,347
Uniform and tool allowances	32,867	34,053
<b>Total fringe benefits</b>	<b>8,525,642</b>	<b>7,652,054</b>
<b>SERVICES</b>		
Professional and technical including directors' fees	639,006	473,981
Outside services	61,919	82,427
Contract maintenance services	1,023,904	875,392
Promotion and printing	107,398	125,616
<b>Total services</b>	<b>1,832,227</b>	<b>1,557,416</b>
<b>MATERIALS AND SUPPLIES</b>		
Fuels and lubricants	2,457,264	1,453,879
Tires and tubes	140,855	150,801
Bus parts	570,192	662,380
Other materials and supplies	230,617	262,450
Electric bus power	60,989	47,100
<b>Total materials and supplies</b>	<b>3,459,917</b>	<b>2,576,610</b>
<b>UTILITIES AND TELEPHONE</b>	<b>286,676</b>	<b>251,645</b>
<b>CASUALTY AND LIABILITY COSTS</b>	<b>776,199</b>	<b>826,640</b>
<b>PURCHASED TRANSPORTATION</b>	<b>1,060,788</b>	<b>1,010,274</b>
<b>PANDEMIC-RELATED LOSS RELIEF</b>	<b>-</b>	<b>400,000</b>
<b>MISCELLANEOUS</b>		
Dues and subscriptions	49,272	47,663
Travel, meetings and training	28,467	30,564
Other miscellaneous expenses	345,093	420,128
<b>Total miscellaneous</b>	<b>422,832</b>	<b>498,355</b>
<b>Total expenses before depreciation and amortization</b>	<b>28,153,293</b>	<b>26,519,751</b>
<b>DEPRECIATION AND AMORTIZATION</b>	<b>4,517,982</b>	<b>4,363,884</b>
<b>TOTAL EXPENSES</b>	<b>\$ 32,671,275</b>	<b>\$ 30,883,635</b>

See notes to financial statements.

	Years ended June 30	
	2023	2022
<b>Cash flows from operating activities</b>		
Receipts from transit customers	\$ 4,636,503	\$ 4,647,770
Payments to suppliers and vendors	(8,611,442)	(7,493,209)
Payments to employees/benefits	(20,403,533)	(19,409,732)
<b>Net cash used in operating activities</b>	<b>(24,378,472)</b>	<b>(22,255,171)</b>
<b>Cash flows from noncapital financing activities</b>		
Operating grants received	20,725,752	18,792,797
Non-transportation revenue, including advertising, rental, and miscellaneous	315,019	337,795
Taxes levied by Santa Barbara County	1,688,646	1,543,251
<b>Net cash provided by noncapital financing activities</b>	<b>22,729,417</b>	<b>20,673,843</b>
<b>Cash flows from capital and related financing activities</b>		
Acquisition of property and equipment	(4,802,259)	(2,763,884)
Proceeds from sale of assets	90,296	17,058
Payments made on leased vehicles	(267,910)	(252,345)
Payments made on SBITAs	(113,307)	-
State and local grant advances	629,340	234,172
Federal, state, and local capital grants received	3,061,342	2,144,813
<b>Net cash used in capital and related financing activities</b>	<b>(1,402,498)</b>	<b>(620,186)</b>
<b>Cash flows from investing activity</b>		
Interest earned	167,369	41,333
<b>Net cash provided by investing activity</b>	<b>167,369</b>	<b>41,333</b>
<b>Change in cash and investments</b>	<b>(2,884,184)</b>	<b>(2,160,181)</b>
<b>Cash and investments, beginning of year</b>	<b>13,394,225</b>	<b>15,554,406</b>
<b>Cash and investments, end of year</b>	<b>\$ 10,510,041</b>	<b>\$ 13,394,225</b>
Cash and investments	\$ 7,710,326	\$ 11,223,850
Cash and investments restricted for capital support	2,799,715	2,170,375
<b>TOTAL CASH AND INVESTMENTS</b>	<b>\$ 10,510,041</b>	<b>\$ 13,394,225</b>

See notes to financial statements.

	Years ended June 30	
	2023	2022
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (27,972,172)	\$ (26,204,433)
Depreciation and amortization	4,517,982	4,363,884
Changes in:		
Other receivable - excluding grants	(95,961)	(31,432)
Materials and supplies inventories	(217,397)	(64,542)
Other current assets	(56,962)	(49,197)
Accounts payable and accrued expenses net of capital acquisitions	(410,686)	(107,707)
Compensated absences payable	140,245	(104,006)
Claims liability	(436,839)	(95,241)
OPEB liabilities and related deferrals	153,318	37,503
<b>Net cash used in operating activities</b>	<b>\$ (24,378,472)</b>	<b>\$ (22,255,171)</b>

See notes to financial statements.

**NOTE 1      REPORTING ENTITY**

The Santa Barbara Metropolitan Transit District (the District), a government entity, was formed under the terms of the Santa Barbara Metropolitan Transit District Act for 1965, Part 9, of the California Public Utilities Code amended in 1967. The District provides local public transportation services to the metropolitan Santa Barbara area which encompasses the outlying communities of Goleta, Montecito, and Carpinteria.

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

**NOTE 2      SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the District are in conformity with accounting principles generally accepted in the United States of America applicable to governmental 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 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 Revenues, Expenses 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 in the Statements of Net Position. The Statements of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.



**NOTE 2      SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The District distinguishes operating revenues and expenses from nonoperating 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 and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The accounting records of the District are subject to the uniform accounting system for transit districts as set forth by the Federal Transit Administration (FTA) and the California State Controller's Office.

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.

**New Governmental Accounting Standards Board (GASB) Pronouncement**

**GASB 96, Subscription-Based Information Technology Arrangements (SBITAs)**

During the fiscal year ended June 30, 2023, the District implemented GASB Statement No. 96 – SBITAs. The objective of this Statement is to provide guidance on accounting for and disclosing SBITAs. SBITAs are contracts where a vendor provides access to one or more software applications or information technology services where the customer pays a subscription fee for access to those services.

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources in subsequent financial reporting periods. The implementation of this new accounting standards resulted in recognition of subscription assets and liability in the District's financial statements as of and for the year ended June 30, 2023. See Note 6.

## NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxes

Taxes, including homeowners' property tax relief, are remitted from the Santa Barbara 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 and 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.

### 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. Investment income, including changes in fair value, is included in nonoperating revenues.

### Restricted Uses of Cash

As of June 30, 2023 and 2022, the District held \$2,195,892 and \$1,660,636, respectively, of Low Carbon Transit Operations Program (LCTOP) cash restricted for Microtransit services. The District also held \$603,823 and \$509,739, respectively, of University of California of Santa Barbara (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.

## NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

The District's policy is to capitalize all property and equipment with a cost greater than \$1,000 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. Regular full-time employees are entitled to accrue up to 5 weeks of vacation depending upon the employee's years of employment. Regular full-time employees are also entitled to accrue paid sick time up to a maximum of 80 hours per year. Accumulated unpaid vacation and vested sick leave pay are recorded as an expense and a liability at the time the benefit is earned. The amount of vested vacation pay accrued as of June 30, 2023 and 2022 were \$956,364 and \$838,897, respectively. The amount of vested sick pay accrued as of June 30, 2023 and 2022 were \$396,428 and \$373,650, respectively.

### Claims Liability

The District's uninsured claims are accrued and charged to expense when the claims are reasonably determinable and the existence of liability is probable. The claims liability as of year-end includes an estimate for claims for worker's compensation that have been incurred but not reported (IBNR) as of year-end.

### 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.

## NOTE 2      SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Deferred Inflows and Outflows of Resources**

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statements of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

*Deferred Outflows of Resources* represent outflows of resources (consumption of net position) that apply to future periods and therefore are not recognized as an expense until that time.

*Deferred Inflows of Resources* represent inflows of resources (acquisition of net position) that apply to future periods and therefore, are not recognized as revenue until that time.

### **Net Position**

In the Statements 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 represents 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.

### **Federal, State, and Local Subventions**

Federal, state and local governments have made various grants and subventions available to the District for operating assistance and for various purposes connected with the planning, modernization, and expansion of transportation facilities and equipment. Grants for operating assistance, the acquisition of equipment or other capital outlay are not formally recognized in the accounts until the grant becomes a valid receivable as a result of the District’s complying with appropriate grant requirements. Operating assistance grants are included in nonoperating revenues in the year in which the related expenses are incurred. Revenues earned under capital grants are recorded as capital contributions.

## NOTE 2      SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **New Accounting Pronouncements, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements, that have effective dates that may impact future financial presentations. Management has not yet determined any impact the implementation of the following statements may have on the financial statements of the District.

GASB Statement No. 101 – Compensated Absences. Effective Date: The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The District will implement this statement when and where applicable.

GASB Statement No. 100 – Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62. Effective Date: For fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The District will implement this statement when and where applicable.

### **Reclassification of Prior Year Presentation**

Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on the reported results of operations.

## NOTE 3      CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows:

	<u>2023</u>	<u>2022</u>
Statement of Net Position:		
Cash and investments	\$ 7,710,326	\$ 11,223,850
Cash and investments restricted for capital support	<u>2,799,715</u>	<u>2,170,375</u>
Total cash and investments	<u>\$ 10,510,041</u>	<u>\$ 13,394,225</u>

Cash and investments as of June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Cash on hand	\$ 41,090	\$ 38,590
Deposits with financial institutions	4,424,991	7,452,927
Investments - LAIF	<u>6,043,960</u>	<u>5,902,708</u>
Total cash and investments	<u>\$ 10,510,041</u>	<u>\$ 13,394,225</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.

## NOTE 3 CASH AND INVESTMENTS (CONTINUED)

### Demand Deposits

As of June 30, 2023 and 2022, the carrying amount of the demand deposits were \$4,424,991 and \$7,452,927, respectively, and the bank balances were \$4,861,687 and \$7,454,217, respectively, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in the District's name as discussed under Custodial Credit Risk. Certain cash accounts are pooled and swept nightly to a concentration account.

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 Depositary Insurance Corporation (FDIC). The District has \$250,000 that is insured by the FDIC as of June 30, 2023. The remaining portion of the deposit with financial institution at June 30, 2023 and 2022, of \$4,561,917 and \$7,189,253, respectively, is collateralized as described above.

### 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. The District's investment in LAIF at June 30, 2023 and 2022 was not rated.

### 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 investment funds are held in two financial institutions, US 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.

## NOTE 3 CASH AND INVESTMENTS (CONTINUED)

### Local Agency Investment Funds (LAIF)

The District is a voluntary participant in the California State Treasurer's LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. 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.

LAIF 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 \$6,043,960 and \$5,902,708 invested in LAIF, at June 30, 2023 and 2022, respectively. They were invested in the pooled investment funds in structured notes and asset-backed securities at 2.38% and 1.88% at June 30, 2023 and 2022, respectively. The LAIF fair value factor of 0.984828499 and 0.987125414 at June 30, 2023 and 2022, respectively, 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

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments in LAIF totaling \$6,043,960 and \$5,902,708 as of June 30, 2023 and 2022, respectively, are measured at amortized cost, which approximates fair value.

## NOTE 4 GRANTS RECEIVABLES

Grants receivable at June 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Federal Transit Administration	\$ 6,502,084	\$ 4,292,872
Santa Barbara County - Measure A	1,751,411	499,172
State of California - LTF	798,339	-
State of California - STA	522,738	2,283,489
Santa Barbara County Air Pollution Control District	225,000	-
	<u>\$ 9,799,572</u>	<u>\$ 7,075,533</u>

Other receivables are as follows:

Trade receivables	\$ <u>168,729</u>	\$ <u>72,768</u>
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### Federal Transit Administration (FTA)

Under the provisions of the grant agreements with FTA, funds are available to the District for maintenance costs, acquisition, construction, improvement and maintenance of transit facilities, transit vehicles and equipment.

### Measure A

Measure A is a voter-approved one-half of one percent sales tax for transportation projects and programs for the purpose of improving the transportation system of the Santa Barbara County. Measure A is administered by the Santa Barbara County Association of Governments.

### State Transit Assistance (STA)

State Transit Assistance program is created under the Transportation Development Act (TDA) by the State of California (State). Funds are available to the District for maintenance costs, acquisition, construction, improvement and maintenance of transit facilities, transit vehicles and equipment.

### Local Transportation Fund (LTF)

Local Transportation Fund is created under TDA by the State. Funds are available to the District for local streets and roads, construction and maintenance.



## NOTE 5 CAPITAL ASSETS

Changes in capital assets during the fiscal years ended June 30, 2023 and 2022 are as follows:

June 30, 2023	Beginning of Year	Additions	Transfers	Disposals/ Retirements/ Adjustments	End of Year
Capital assets not depreciated					
Land	\$ 5,596,296	\$ -	\$ -	\$ -	\$ 5,596,296
Work in progress	2,954,862	4,476,365	(3,263,901)	(92,628)	4,074,698
Total Capital Assets, Not Being Depreciated	8,551,158	4,476,365	(3,263,901)	(92,628)	9,670,994
Buildings and improvements	19,064,889	-	-	(28,208)	19,036,681
Buses	49,629,788	64,642	3,337,756	(16,680)	53,015,506
Right-of-use asset	2,174,252	-	-	-	2,174,252
Other equipment	6,080,210	261,252	(73,855)	(339,953)	5,927,654
Total Capital Assets, Being Depreciated	76,949,139	325,894	3,263,901	(384,841)	80,154,093
Less Accumulated Depreciation/Amortization	(49,472,777)	(4,437,665)	-	374,445	(53,535,997)
Total Capital Assets, Being Depreciated, Net	27,476,362	(4,111,771)	3,263,901	(10,396)	26,618,096
Total Capital Assets, Net	\$ 36,027,520	\$ 364,594	\$ -	\$ (103,024)	\$ 36,289,090

  

June 30, 2022	Beginning of Year	Additions	Transfers	Disposals/ Retirements/ Adjustments	End of Year
Capital assets not depreciated					
Land	\$ 5,596,296	\$ -	\$ -	\$ -	\$ 5,596,296
Work in progress	1,616,773	2,627,518	(958,275)	(331,154)	2,954,862
Total Capital Assets, Not Being Depreciated	7,213,069	2,627,518	(958,275)	(331,154)	8,551,158
Buildings and improvements	19,049,102	24,156	-	(8,369)	19,064,889
Buses	48,810,307	91,504	958,275	(230,298)	49,629,788
Right-of-use asset	2,174,252	-	-	-	2,174,252
Other equipment	6,075,586	20,706	-	(16,082)	6,080,210
Total Capital Assets, Being Depreciated	76,109,247	136,366	958,275	(254,749)	76,949,139
Less Accumulated Depreciation/Amortization	(45,343,640)	(4,363,884)	-	234,747	(49,472,777)
Total Capital Assets, Being Depreciated, Net	30,765,607	(4,227,518)	958,275	(20,002)	27,476,362
Total Capital Assets, Net	\$ 37,978,676	\$ (1,600,000)	\$ -	\$ (351,156)	\$ 36,027,520

Capital asset depreciation and amortization expense for the fiscal years ended June 30, 2023 and 2022 were \$4,437,665 and \$4,363,884, respectively.

## NOTE 6 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District subscribes to different software that expires on various date through November 2025. These subscriptions include options to renew at the District's discretion.

During the fiscal year ended June 30, 2023, the District implemented GASB 96 which resulted in the recognition of subscription assets and liability related to the District's SBITA. The subscription assets and liability as of June 30, 2023, amounted to \$109,600 and \$45,272, respectively.

Subscription amortization expense is recognized on a straight-line basis over the policy period. Total subscription amortization expense was \$80,317 and was reported under depreciation and amortization in the Statements of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2023.

For the year ended June 30, 2023, the District paid \$113,307 which is included in the measurement of the subscription liability.

The weighted average remaining policy period for the District's SBITA is 1.59 years. The District used a weighted average discount rate of 5.00% to calculate the present value of the future subscription payments.

Maturities of the subscription liability at June 30, 2023 are as follows:

Year Ending June 30	Amount
2024	\$ 24,347
2025	24,347
Total undiscounted subscription payments	48,694
Less: effects of discounting	(3,422)
Total subscription liability	\$ 45,272

## NOTE 7 LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the years ended June 30, 2023 and 2022:

### June 30, 2023

Type	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Lease Liability	\$ 1,370,856	\$ -	\$ (267,910)	\$ 1,102,946	\$ 284,434
Compensated Absences	1,212,547	140,245	-	1,352,792	639,554
Total	\$ 2,583,403	\$ 140,245	\$ (267,910)	\$ 2,455,738	\$ 923,988

## NOTE 7 LONG-TERM OBLIGATIONS (CONTINUED)

June 30, 2022

Type	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Lease Liability	\$ 1,623,201	\$ -	\$ (252,345)	\$ 1,370,856	\$ 267,910
Compensated Absences	1,316,553	460,749	(564,755)	1,212,547	526,664
Total	\$ 2,939,754	\$ 460,749	\$ (817,100)	\$ 2,583,403	\$ 794,574

### Lease Liability

The District entered into a lease agreement 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 the application of sales tax. The initial lease liability was \$2,174,252 based upon a value of \$362,375 per bus and a 6% interest rate. 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
2024	\$ 284,434	\$ 58,440
2025	301,977	40,896
2026	320,602	22,271
2027	195,933	4,078
	\$ 1,102,946	\$ 125,685

At June 30, 2023, the cost of the assets under the liability was \$2,174,252 and the related accumulated depreciation and amortization were \$1,200,367 and \$928,586 as of June 30, 2023 and 2022, respectively.

### 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 as of June 30, 2023 and 2022 were \$956,364 and \$838,897, respectively. Accrued sick pay vested as of June 30, 2023 and 2022 were \$396,428 and \$373,650, respectively.

## NOTE 8 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 District or county to which the operator provides service beyond its boundaries. The District receives notification of its TDA allocation for the next fiscal year in February of the preceding year. The District's fiscal year extends from July to June. The District is required to submit its claim for the subsequent year by April 1st. As such, the claim is based on the District's draft budget for the coming year. As a result, actual operating expenditures and capital acquisitions tend to vary resulting in excess TDA revenue received and 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 funds for the acquisition of buses and other equipment and improvements. Capital contributions are recorded as revenues and the costs of the related assets are included in property and equipment. Depreciation on assets acquired with capital grant funds is included in the Statements of Revenues, Expenses, and Changes in Net Position.

Capital contributions for the fiscal years ended June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Federal Transit Administration	\$ 2,807,229	\$ 216,623
State Transit Assistance	522,738	2,283,489
Measure A	1,539,085	499,172
Miscellaneous	281,300	5,623
Total capital contributions	\$ <u>5,150,352</u>	\$ <u>3,004,907</u>

## NOTE 9 TDA FUNDING AND ALLOCATIONS

The allocation of TDA funds to the District is subject to the provisions of Section 99268.2 of the Public Utilities Code, which includes the maintenance of a ratio of fare revenues to operating costs (farebox ratio) of at least 20%. During the fiscal years ended June 30, 2023 and 2022, the District's farebox ratio was 29.7% and 30.5%, respectively, as calculated below:

	<u>2023</u>	<u>2022</u>
Farebox revenue	\$ 4,699,103	\$ 4,679,202
Measure A	2,987,313	2,885,090
Miscellaneous revenues	482,388	379,128
Total revenues	<u>\$ 8,168,804</u>	<u>\$ 7,943,420</u>
Operating expenses	\$ 32,671,275	\$ 30,883,635
Less:		
Depreciation expense	4,437,665	4,363,884
Pension expense (GASB 68 adjustment)	464,753	201,207
Vehicle lease expense	267,910	252,346
Net operating expenses	<u>\$ 27,500,947</u>	<u>\$ 26,066,198</u>
Fare ratio	<u>29.7%</u>	<u>30.5%</u>
Target ratio	<u>20.0%</u>	<u>20.0%</u>

During FY2022-2023, the District is in compliance with the provisions of PUC Section 99268.2.

TDA funding and usage for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Funding		
Local Transportation Fund (SB 325)	\$ 10,513,434	\$ 10,290,329
State Transit Assistance Fund (SB 620)	522,738	2,283,489
	<u>\$ 11,036,172</u>	<u>\$ 12,573,818</u>
Usage		
Operations	\$ 10,513,434	\$ 10,290,329
Capital projects	522,738	2,283,489
	<u>\$ 11,036,172</u>	<u>\$ 12,573,818</u>

## NOTE 10 FEDERAL GRANTS AND REIMBURSEMENTS

Federal grants and reimbursements for the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Operating grants	\$ 6,912,587	\$ 5,476,249
Capital grants	2,807,229	216,623
Total	\$ 9,719,816	\$ 5,692,872

## NOTE 11 RETIREMENT PLANS

Two employee groups are covered under the District's retirement plans as follows:

Employee Group	Plan Names	Retirement Plan Expense	
		2023	2022
Union	Teamsters Union	\$ 982,922	\$ 1,026,323
Non-Union Deferral Plan	Profit-Sharing and Salary Deferral	278,843	300,003
Total		\$ 1,261,765	\$ 1,326,326

### Teamsters Union Pension Plan

This plan covers union employees and is a "cost sharing" defined benefit plan. The District had the following statistics as of June 30, 2023 and 2022:

Required work hour contribution (up to 173.33 hours per month)	\$ 3.67	\$ 3.63
Total pension hours	268,307	282,440
Accrued pension	\$ 83,088	\$ 81,857

Western Conference of Teamsters Pension Trust (the Plan) is a multiemployer plan that 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 2023 and 2022, meaning the Plan is in good financial position. Therefore, no pension liability is reported in the accompanying financial statements. Additional information, such as the Plan's financial reports, can be found at [www.wctpension.org/site-index](http://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.

## NOTE 11 RETIREMENT PLANS (CONTINUED)

The period of coverage for the existing collective bargaining agreement between the District and Teamsters Union-Local 186 is July 1, 2022, through June 30, 2025. In 2023 and 2022, there were 159 and 149 employees covered under the Plan, respectively. The collective bargaining agreement is the basis for determining the District's employer's required contribution as well as any changes/amendments. In 2023 and 2022, the employer's required contribution was approximately \$1 million. Based on the agreement, there are no minimum contributions required for future periods. For fiscal years 2023 and 2022, the pension payable was \$83,088 and \$81,857, respectively, since the payments for June occurred after the fiscal year end.

### Profit Sharing and Salary Deferral Plan

Effective July 1, 1985, the District established the Profit Sharing and Salary Deferral Plan for non-union employees not covered by the union plan. The plan is a defined contribution plan. The plan is administered by the District, which contracts the administration to NFP Retirement.

The District contributes to the Profit-Sharing and Salary Deferral Plan an amount equal to 3% and 7%, respectively, of the compensation for all eligible participants. Contributions by the District to the Salary Deferral Plan are fully vested at the time of contribution. Contributions by the District to the Profit-Sharing Plan are vested ratably over a four-year period. The District is not obligated to make contributions to the Profit-Sharing Plan however its contributions must be regular and continuing in order for the Plan to receive favorable tax treatment under Internal Revenue Code Section 401(k).

The District's contributions for fiscal year 2023 were based upon a payroll of \$2,788,433 for non-union employees. For the year ended June 30, 2023, the District contributed \$278,843 (10% of covered payroll) and covered employees contributed \$261,724.

The District's contributions for fiscal year 2022 were based upon a payroll of \$3,000,027 for non-union employees. For the year ended June 30, 2022, the District contributed \$300,003 (10% of covered payroll) and covered employees contributed \$343,803.

## 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 has Self-Insured Retention policies with general liability coverage of \$15 million on any one claim, including self-insured amounts per claim as follows:

April 1, 2023 to March 31, 2024	\$250,000
April 1, 2002 to March 31, 2023	\$250,000
April 1, 2001 to March 31, 2002	\$100,000
April 1, 1995 to March 31, 2001	\$250,000

## NOTE 12 RISK MANAGEMENT (CONTINUED)

The District has elected to self-insure its obligations for workers' compensation claims. On January 1, 2005, the District joined PRISM, formerly known as CSAC Excess Insurance Authority, with a self-insurance retention of \$500,000 and a limit of \$5 million on any one claim. As of July 01, 2020 the self-insurance retention is \$250,000. Claim amounts exceeding \$5 million are covered by PRISM. Claim amounts exceeding \$50 million are covered statutorily by Liberty Insurance Corporation.

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

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

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

	2023	2022
Claims liability - beginning of year	\$ 4,502,889	\$ 4,598,130
Claims and changes in estimates	(150,499)	532,407
Actual claim payments	(286,340)	(627,648)
Claims liability - end of year	<u>\$ 4,066,050</u>	<u>\$ 4,502,889</u>

## NOTE 13 COMMITMENTS AND CONTINGENCIES

### Paratransit Service – Easy Lift

For fiscal years 2023 and 2022, the District entered into an agreement with Easy Lift Transportation to provide a subsidy of \$1,010,274 for each year for paratransit services. The amount can be adjusted by mutual consent if the District requests an adjustment in the amount of paratransit service to be provided. If for any reason, Easy Lift failed to provide the required ADA paratransit service, the District would continue to be responsible for the service under Federal law. The District would be required to implement a replacement service on very short notice, at a cost that would likely exceed the current subsidy.

The District is required under Federal law, the Americans with Disabilities Act of 1990 (ADA), to ensure that complementary paratransit service is available wherever and whenever the District provides fixed-route bus service. The District complies with this requirement by partially subsidizing the paratransit service provided by Easy Lift Transportation. The District signed a contract with Easy Lift in May 2019 for these services. The District, by written notice, may terminate this contract, in whole or in part, when it is in its best interest.



## NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

### 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.

### Lawsuits

The District is named in certain legal actions pending at June 30, 2023 and 2022. While the outcome of these lawsuits is not presently determinable, in the opinion of management of the District, based in part on the advice of counsel, the resolution of these matters is not expected to have a material adverse effect on the financial position or results of operations of the District, or is adequately covered by insurance.

## NOTE 14 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (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 Collective Bargaining Agreement after March 1, 2014 are excluded from the plan. The OPEB Plan is restricted to represented employees hired before March 1, 2014, and to non-represented employees hired before July 1, 2018.

### Employees Covered

Based on the OPEB actuarial valuation date of July 1, 2021, the following current and former employees were covered by the benefit terms of the OPEB Plan:

Active employees	120
Inactive employees of beneficiaries	
currently receiving benefits	24
Total	<u>144</u>

**NOTE 14      OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)**

**Contributions**

The contribution requirements of 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. For the years ended June 30, 2023 and 2022, the District has not made any contribution to the Plan. 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 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.

## NOTE 14 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)

### Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022. The following actuarial methods and assumptions were used:

Valuation Date	July 1, 2021	July 1, 2021
Measurement Date	June 30, 2022	June 30, 2021
Actuarial Assumptions:		
Discount rate	6.10%	6.10%
Inflation	3.00%	3.00%
Salary increase	2.50%	2.50%
Investment rate of return	6.10%	6.10%
Healthcare cost trend rates:		
Medicare Advantage	5.75% for 2022, decreasing ratably to 4.5% for 2029 and later years	6% for 2021, decreasing ratably to 4.5% for 2029 and later years
Medicare Supplement	3.0% for 2022, static through 2029 and later years	3.0% for 2021, static through 2029 and later years
Dental	4.0% for 2022, static through 2029 and later years	4.0% for 2021, static through 2029 and later years

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, 2021 valuation were based on the results of an actuarial experience study for the period of July 1, 2019 – June 30, 2021.

**NOTE 14 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)**

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:

**2023 (Measurement date of June 30, 2022)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (1 - 10 Years)</u>
Global Equity	40%	4.80%
Fixed Income	43%	1.80%
Treasury Inflation-Protected Securities	5%	1.60%
Real Estate Investment Trusts	8%	3.70%
Commodities	4%	1.90%
Total	100%	

**2022 (Measurement date of June 30, 2021)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (1 - 10 Years)</u>
Global Equity	40%	4.40%
Fixed Income	43%	1.50%
Treasury Inflation-Protected Securities	5%	1.20%
Real Estate Investment Trusts	8%	3.70%
Commodities	4%	0.60%
Total	100%	

## NOTE 14 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)

### Discount Rate

The discount rate used to measure the total OPEB liability was 6.10% as of June 30, 2022. The rate is based on long-term expected rate of return for CERBT Strategy 2 determined by CalPERS.

### Changes in the Net OPEB Liability

The changes in the net OPEB liability for the years ended June 30, 2023 and 2022 are as follows:

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2022	\$ 3,277,271	\$ 1,923,593	\$ 1,353,678
Changes Recognized for the Fiscal Year:			
Service Cost	91,669	-	91,669
Interest on the Total OPEB Liability	203,313	-	203,313
Benefit Payments	(72,957)	(72,957)	-
Contributions from the Employer	-	72,957	(72,957)
Net Investment Income	-	(241,113)	241,113
Administrative Expense	-	(1,615)	1,615
Net Changes	222,025	(242,728)	464,753
Balance at June 30, 2023 (Based on June 30, 2022 Measurement Date)	\$ 3,499,296	\$ 1,680,865	\$ 1,818,431

**NOTE 14 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)**

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2021	\$ 3,162,887	\$ 1,608,002	\$ 1,554,885
Changes Recognized for the Fiscal Year:			
Service Cost	89,652	-	89,652
Interest on the Total OPEB Liability	196,358	-	196,358
Differences Between Expected and Actual Experience	(149,504)	-	(149,504)
Change of Assumptions	45,994	-	45,994
Benefit Payments	(68,116)	(68,116)	-
Contributions from the Employer	-	68,116	(68,116)
Net Investment Income	-	317,099	(317,099)
Administrative Expense	-	(1,508)	1,508
Net Changes	114,384	315,591	(201,207)
Balance at June 30, 2022 (Based on June 30, 2021 Measurement Date)	\$ 3,277,271	\$ 1,923,593	\$ 1,353,678

**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, as of June 30, 2023 and 2022.

	1% Decrease (5.10%)	Current Rate (6.10%)	1% Increase (7.10%)
<b>2023</b>			
Total OPEB Liability	\$ 4,001,622	\$ 3,499,296	\$ 3,077,403
Plan Fiduciary Net Position	1,680,865	1,680,865	1,680,865
Net OPEB Liability	\$ 2,320,757	\$ 1,818,431	\$ 1,396,538
<b>2022</b>			
Total OPEB Liability	\$ 3,759,086	\$ 3,277,271	\$ 2,873,311
Plan Fiduciary Net Position	1,923,593	1,923,593	1,923,593
Net OPEB Liability	\$ 1,835,493	\$ 1,353,678	\$ 949,718

**NOTE 14 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (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 trend that is one percentage point lower or one percentage point higher than the trend rate, as of June 30, 2023 and 2022.

<u>2023</u>	<u>1% Decrease (5.10%)</u>	<u>Current Rate (6.10%)</u>	<u>1% Increase (7.10%)</u>
Total OPEB Liability	\$ 3,018,107	\$ 3,499,296	\$ 4,105,529
Plan Fiduciary Net Position	1,680,865	1,680,865	1,680,865
Net OPEB Liability	<u>\$ 1,337,242</u>	<u>\$ 1,818,431</u>	<u>\$ 2,424,664</u>
 <u>2022</u>	 <u>1% Decrease</u>	 <u>Trend Rate</u>	 <u>1% Increase</u>
Total OPEB Liability	\$ 2,840,455	\$ 3,277,271	\$ 3,827,068
Plan Fiduciary Net Position	1,923,593	1,923,593	1,923,593
Net OPEB Liability	<u>\$ 916,862</u>	<u>\$ 1,353,678</u>	<u>\$ 1,903,475</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.

**NOTE 14 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)**

**OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB**

For the fiscal years ended June 30, 2023 and 2022, the District recognized OPEB expense of \$240,028 and \$178,576, respectively. As of June 30, 2023 and 2022, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b><u>2023</u></b>		
Differences between Actual and Expected Experience	\$ -	\$ (158,582)
Changes in Assumptions	276,696	-
Net Differences between Projected and Actual Earnings on Plan Investments	297,105	(131,197)
Contributions after the measurement date	<u>86,710</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>660,511</u></b>	<b>\$ <u>(289,779)</u></b>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b><u>2022</u></b>		
Differences between Actual and Expected Experience	\$ -	\$ (181,906)
Changes in Assumptions	327,219	-
Net Differences between Projected and Actual Earnings on Plan Investments	16,422	(175,395)
Contributions after the measurement date	<u>72,957</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>416,598</u></b>	<b>\$ <u>(357,301)</u></b>

\$86,710 and \$72,957 reported as deferred outflows of resources as of June 30, 2023 and 2022, respectively, resulting from contributions made subsequent to measurement date will be recognized as a reduction of the OPEB liability in the years ending June 30, 2024 and 2023, respectively.



## NOTE 14 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)

### OPEB Expense and Deferred Outflows of Resources Related to OPEB (Continued)

Other amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

Years Ending June 30	Amount
2024	\$ 59,733
2025	60,429
2026	55,521
2027	99,897
2028	28,408
Thereafter	(19,966)
	<u>\$ 284,022</u>

## NOTE 15 ADVANCES ON GRANTS

Advances on grants at June 30, 2023 and 2022 are summarized as follows:

	UCSB Capital	LCTOP Capital	Other Capital	Total Capital	LCTOP Operating	Total Operating	Total Operating & Capital
Available funds at June 30, 2021	\$ 406,929	\$ 252,665	\$ 5,715	\$ 665,309	\$ 1,270,894	\$ 1,270,894	\$ 1,936,203
FY22 Allocations received	102,810	136,912	-	239,722	-	-	239,722
FY22 Interest earned	-	36	-	36	129	129	165
	<u>102,810</u>	<u>136,948</u>	<u>-</u>	<u>239,758</u>	<u>129</u>	<u>129</u>	<u>239,887</u>
Less: Eligible cost in FY 22	-	-	(5,715)	(5,715)	-	-	(5,715)
Available funds at June 30, 2022	509,739	389,613	-	899,352	1,271,023	1,271,023	2,170,375
FY23 Allocations received	94,084	531,952	-	626,036	-	-	626,036
FY23 Interest earned	-	1,385	-	1,385	1,919	1,919	3,304
	<u>94,084</u>	<u>533,337</u>	<u>-</u>	<u>627,421</u>	<u>1,919</u>	<u>1,919</u>	<u>629,340</u>
Less: Eligible cost in FY 23	-	-	-	-	-	-	-
Available funds at June 30, 2023	\$ 603,823	\$ 922,950	\$ -	\$ 1,526,773	\$ 1,272,942	\$ 1,272,942	\$ 2,799,715

## NOTE 16 SUBSEQUENT EVENTS

The District has evaluated events subsequent to June 30, 2023 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November \_\_, 2023, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

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**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 (Unaudited)**

Reporting Year	2023	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>						
Service Cost	\$ 91,669	\$ 89,652	\$ 38,234	\$ 46,605	\$ 45,248	\$ 43,930
Interest Cost	203,313	196,358	188,151	180,233	170,170	161,053
Changes in Benefits Terms	-	-	-	(147,814)	-	-
Differences Between Expected and Actual Experiences	-	(149,504)	-	-	-	(7,884)
Actual Experience	-	-	-	(67,492)	-	-
Changes of Assumptions	-	45,994	322,232	63,172	-	-
Benefit Payments	(72,957)	(68,116)	(69,547)	(67,552)	(65,645)	(59,133)
Net Change in Total OPEB Liability	222,025	114,384	479,070	7,152	149,773	137,966
Total OPEB Liability - Beginning	3,277,271	3,162,887	2,683,817	2,676,665	2,526,892	2,388,926
Total OPEB Liability - Ending	<u>\$ 3,499,296</u>	<u>\$ 3,277,271</u>	<u>\$ 3,162,887</u>	<u>\$ 2,683,817</u>	<u>\$ 2,676,665</u>	<u>\$ 2,526,892</u>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 72,957	\$ 68,116	\$ -	\$ -	\$ 565,645	\$ 1,059,133
Net Investment Income	(241,113)	317,099	84,712	105,941	61,784	(5,256)
Benefit Payments	(72,957)	(68,116)	(69,547)	(67,552)	(65,645)	(59,133)
Administrative Expenses	(1,615)	(1,508)	(788)	(757)	(535)	-
Net Change in Plan Fiduciary Net Position	(242,728)	315,591	14,377	37,632	561,249	994,744
Plan Fiduciary Net Position - Beginning	1,923,593	1,608,002	1,593,625	1,555,993	994,744	-
Plan Fiduciary Net Position - Ending	<u>1,680,865</u>	<u>1,923,593</u>	<u>1,608,002</u>	<u>1,593,625</u>	<u>1,555,993</u>	<u>994,744</u>
Net OPEB Liability - Ending	<u>\$ 1,818,431</u>	<u>\$ 1,353,678</u>	<u>\$ 1,554,885</u>	<u>\$ 1,090,192</u>	<u>\$ 1,120,672</u>	<u>\$ 1,532,148</u>
Fiduciary Net Position as a Percentage of OPEB Liability	48.03%	58.69%	50.84%	59.38%	58.13%	39.37%
Covered Employee Payroll	\$ 7,857,419	\$ 8,886,815	\$ 8,895,129	\$ 9,970,053	\$ 10,346,378	\$ 13,100,000
Net OPEB Liability as a Percentage of Covered Employee Payroll	23.14%	15.23%	17.48%	10.93%	10.83%	11.70%

Changes in assumptions - The discount rate remained the same at 6.10% for the measurement period ended June 30, 2021 and 2022.

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.

# FINAL DRAFT

## COMPLIANCE SECTION



## Independent Auditor's Report on State Compliance

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

### Report on Compliance with Transportation Development Act Requirements

#### ***Opinion***

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, 2023.

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, 2023.

#### ***Basis for Opinion***

We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*) and the requirement of the TDA regulations. Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the TDA compliance requirements. Our audit does not provide a legal determination of District's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

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 Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Moreover, Section 6667, which requires the independent auditor to perform at least the following procedures:

- 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 99243.
- 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.



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- d) Determine whether the funds received by the claimant pursuant to the TDA were expended in conformance with the applicable rules, regulations, and procedures of the transportation planning agency and in compliance with the allocation instructions and resolutions
- e) Determine whether interest earned on funds received by the claimant pursuant to the TDA were expended only for those purposes for which the funds were allocated in accordance with Public Utilities Code Sections 99234.1, 99301, 99301.5, and 99301.6.
- f) Verify the amount of the claimant's operating cost for the fiscal year, the amount of fare revenues required to meet the ratios specified in Sections 6633.2 and 6633.5, and the amount of the sum of fare revenues and local support required to meet the ratios specified in the Section 6633.2.
- g) Verify the amount of the claimant's actual fare revenues for the fiscal year.
- h) Verify the amount of the claimant's actual local support for the fiscal year.
- i) Verify the amount the claimant was eligible to receive under the TDA during the fiscal year in accordance with Sections 6634 and 6649.
- j) Verify, if applicable, the amount of the operator's expenditure limitation in accordance with Section 6633.1.
- k) In the case of an operator, determine whether the operator's employee retirement system or private pension plan is in conformance with the provisions of Public Utilities Code Sections 99271, 99272, and 99273.
- l) In the case of an operator, determine whether the operator has had a certification by the Department of the California Highway Patrol verifying that the operator is in compliance with Section 1808.1 of the Vehicle Code, as required in Public Utilities Code Section 99251.
- m) In the case of an operator, verify, if applicable, its State Transit Assistance eligibility pursuant to Public Utilities Code Section 99314.6 or 99314.7.
- 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.

## ***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.

**Glendale, California**  
**November \_\_, 2023**

# FINAL DRAFT



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**Santa Barbara Metropolitan Transit District**  
**Single Audit Report**  
***Year Ended June 30, 2023***  
***with Independent Auditor's Report***

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**Santa Barbara Metropolitan Transit District  
Single Audit Report  
*Year Ended June 30, 2023  
with Independent Auditor's Report***

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## **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

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 (*Government Auditing Standards*), the financial statements of Santa Barbara Metropolitan Transit District (the District), which comprise the statement of net position as of June 30, 2023, the related statement of revenues, expenses, and changes in net position, statement of expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated **October \_\_, 2023**.

### **Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



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## **Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Glendale, California**

**November 7, 2023**



## **Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control over Compliance, and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Santa Barbara Metropolitan Transit District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2023. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.



## ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal program.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance



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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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Santa Barbara Metropolitan Transit District as of and for the year ended June 30, 2023 and have issued our report thereon dated November 7, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements or to the 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 financial statements as a whole.

**Glendale, California**  
**November 7, 2023**



**Santa Barbara Metropolitan Transit District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023**

<b>Federal Grantor/Pass-Through Grantor Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Contract Number</b>	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>MAJOR PROGRAM</b>				
<b><u>U.S. Department of Transportation</u></b>				
<b><u>Federal Transit Administration</u></b>				
<b>Direct Programs:</b>				
Federal Transit Program Cluster				
Federal Transit - Formula Grants (Urbanized Area Formula Program) (Operating)	20.507	CA-2023-057-00	\$ -	\$ 4,437,704
American Rescue Plan Act (ARPA) Federal Transit - Formula Grants (Urbanized Area Formula Program) (Operating)	20.507	CA-2021-076-00	-	1,329,904
Federal Transit - Formula Grants (Urbanized Area Formula Program) (Operating)	20.507	CA-2022-169-00	-	984,248
Federal Transit - Formula Grants (Urbanized Area Formula Program) (Capital)	20.526	CA-2021-066-00	-	1,524,304
Federal Transit - Formula Grants (Urbanized Area Formula Program) (Capital)	20.526	CA-2022-222-00	-	1,037,658
Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) Federal Transit - Formula Grants (Urbanized Area Formula Program) (Operating and Capital)	20.526	CA-2021-100-00	-	283,522
Federal Transit - Formula Grants (Urbanized Area Formula Program) (Capital)	20.526	CA-2022-174-00	-	97,014
		<b>Total Federal Transit Program Cluster</b>	<b>-</b>	<b>9,694,354</b>
<b>NON-MAJOR PROGRAM</b>				
<b><u>U.S. Department of Transportation</u></b>				
<b><u>Federal Transit Administration</u></b>				
Passed through from the State of California, Department of Transportation, Planning Division Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	74A1242	-	25,462
<b>TOTAL FEDERAL EXPENDITURES</b>			<b>\$ -</b>	<b>\$ 9,719,816</b>

*See accompanying notes to schedule of expenditures of federal awards.*

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Santa Barbara Metropolitan Transit District (the District) under programs of the federal government for the year ended June 30, 2023. For purposes of this schedule, financial awards include federal awards received directly from a federal agency, as well as federal funds received indirectly by the District from a non-federal agency or other organization. Only the portions of program expenditures reimbursable with federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum reimbursement authorized, if any, or the portion of the program expenditures that were funded with other state, local or other non-federal funds are excluded from the accompanying schedule.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE 2 BASIS OF ACCOUNTING**

Expenditures 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 allowable or are limited as to reimbursement. Program expenditures in excess of the maximum reimbursement authorized or the program expenditures that were funded with nonfederal funds are excluded from the accompanying SEFA.

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

**NOTE 3 SUBRECIPIENTS**

The District provided no federal awards to subrecipients for the year ended June 30, 2023.

**NOTE 4 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Grant expenditure reports for the year ended June 30, 2023, which have been submitted to grantor agencies, will, in some cases, differ from the amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals.

**NOTE 5                      RELATIONSHIP OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO  
THE FINANCIAL STATEMENTS**

Amounts reported in the accompanying SEFA agree, in all material respects, to amounts reported within the District's Statement of Revenues, Expenses and Changes in Net Position as presented in the District's Audited Financial Statements as of and for the year ended June 30, 2023.

## Section I – Summary of Auditor’s Results

### Financial Statements

Type of Auditor’s report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

### Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	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 Title 2 CFR 200.516(a)?	No

### Identification of Major Programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
20.507 and 20.526	Federal Transit Program Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

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## **Section II – Financial Statement Findings**

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There are no financial statement findings for the fiscal year ended June 30, 2023.

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## **Section III – Federal Award Findings and Questioned Costs**

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There are no federal award findings for the fiscal year ended June 30, 2023.

There were no federal award findings reported for the fiscal year ended June 30, 2022.

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<b>BOARD OF DIRECTORS REPORT</b>
----------------------------------

**MEETING DATE:** NOVEMBER 7, 2023

**AGENDA ITEM: #8**

**DEPARTMENT:** CAPITAL PROJECTS

**TYPE:** INFORMATIONAL ITEM

**PREPARED BY:** DAVID RZEPINSKI

\_\_\_\_\_  
*Signature*

**REVIEWED BY:** GENERAL MANAGER

\_\_\_\_\_  
*Signature*

**SUBJECT:** FLEET RENEWAL CAMPAIGN PROJECT UPDATE

**DISCUSSION:**

Staff will provide a presentation to update the Board on the status of the Fleet Renewal Campaign.





<b>BOARD OF DIRECTORS REPORT</b>
----------------------------------

**MEETING DATE:** NOVEMBER 7, 2023

**AGENDA ITEM: #9**

**DEPARTMENT:** PROCUREMENT

**TYPE:** ACTION ITEM

**PREPARED BY:** NANCY TILLIE

\_\_\_\_\_  
*Signature*

**REVIEWED BY:** GENERAL MANAGER

\_\_\_\_\_  
*Signature*

**SUBJECT:** TRANSIT SIGNAL PRIORITY VENDOR CONTRACT

**RECOMMENDATION:**

Staff recommends that the Board of Directors provide advance authority to the General Manager to enter into a contract Agreement with Sinwaves, Inc, DBA LYT for the Centralized Transit Signal Priority Solution (Solution), subject to the following condition:

- The City of Santa Barbara City Council approves the License Agreement for Transit Signal Priority that MTD Board of Directors approved at its October 17, 2023 Meeting

**DISCUSSION:**

MTD received grant funding from the Transit and Intercity Rail Capital Program (TIRCP) in Cycle 5 with an award of over \$14 million in 2022. One component of the Next Wave project funded by this grant included a 5-year pilot of cloud-based transit signal priority software. The City of Santa Barbara is the only municipal jurisdiction in MTD territory that currently has the capability to put this type of system in place.

An allocation of \$250,000 was made to purchase a five-year license for cloud-based Transit Signal Priority software and implement the software. The software pairs real-time data from Santa Barbara MTD's existing CAD/AVL system with the City of Santa Barbara's traffic signal management system to optimize traffic light cycles to prioritize buses. The software will be available throughout the city's traffic signal network, but particular focus will be placed on the following corridors: State Street/Hollister Avenue, Milpas Street, Cliff Drive, and Carrillo Street.

In March 2023, MTD set out to prepare a Request for Proposal (RFP) for the above referenced project. It was determined that the City of San Jose had completed one in July 2022. The referenced procurement was conducted using a competitive bid process, which included price analysis and evaluation. See excerpt from their Contract below and attached Report on Request for Proposal for a Centralized Transit Signal Priority Solution to the City of San Jose City Council, dated July 25, 2022, which received approval 7/29/2022.

*“This Agreement resulted from a competitive bid through RFP PUR-RFP2022.02.10021 for Centralized Transit Signal Priority Solution issued on February 17, 2022 pursuant to Chapter 4.12 of the San José Municipal Code. Other **local and state government agencies may enter into agreement(s) based on the same material terms and conditions, and pricing.** The local or state government agency shall accept sole responsibility for placing orders, arranging deliveries and/or services, and making payments to the Contractor. The City of San José will not be liable or responsible for any obligations, including but not limited to, financial responsibility in connection with these agreement(s) between the Contractor and other local and state government agency(ies).”*

SBMTD Procurement Manual provides for the acceptance of using “Piggybacking” as a method of procurement as long as SBMTD adheres to all Federal Transportation Administration (FTA) requirements. The City of San Jose references “Federal Grant Funding” in their report to the City Council and based on review of the process, adheres to Uniform Guidance 2 CFR Part 200 Code of Federal Regulations. Additionally, a review was conducted of the Local Assistance Procedures Manual (LAPM), Chapter 10. The procurement of the ITS software comports with Procurement of Non-A&E Consultant Contracts. Under LAPG, Chapter 13: Intelligent Transportation Systems, this project is Exempt, pursuant to the example of an Exempt ITS project. This would be the installation of traffic signal hardware (traffic controller/software, cabinet, detectors, etc.) to control an isolated intersection in City. It meets the signal warrants found in Chapter 4 of the California MUTCD, but there is no current or foreseen need to interconnect to other signals. No software development is needed; merely adjusting programmable settings and parameters for control. Standard plans, specifications, identified special provisions have been well documented over the years for the design and construction of signal control field equipment. The traditional roadway project development process will be used, contracts handled through a low-bid selection; classified as “low-risk” as it is off-the-shelf and proven software.

SBMTD is currently in the process of formalizing an agreement with the City of Santa Barbara. Once completed, SBMTD intends on utilizing the City of San Jose contract provision to establish a procurement with Sinwaves, Inc, DBA LYT for the Centralized Transit Signal Priority Solution (Solution), by the Third-Party Contract Award deadline of July 31, 2024. The vendor will work in tandem with SBMTD and the City of Santa Barbara to ensure successful implementation of the Solution by the Implementation due date of January 26, 2026.

As previously stated, a full Competitive Solicitation was conducted under the Uniform Guidance 2 CFR Part 200, Code of Federal Regulation, taking no less than five months. Sin Waves, Inc. dba LYT was found to be the most responsible and responsive, as well as having the greatest Experience & Qualifications, Technical Capabilities, and Cost Proposal by the City of San Jose evaluation.

Attachment: Report on Request for Proposal for a Centralized Transit Signal Priority Solution to the City of San Jose City Council, dated July 25, 2022, which received approval 7/29/2022.

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Julia H. Cooper

**SUBJECT:** SEE BELOW

**DATE:** July 25, 2022

Approved



Date

**7/29/2022**

**SUBJECT: REPORT ON REQUEST FOR PROPOSAL FOR A CENTRALIZED  
TRANSIT SIGNAL PRIORITY SOLUTION**

## **RECOMMENDATION**

Accept the report on the Request for Proposal and adopt a resolution authorizing the City Manager to:

- (a) Negotiate and execute an agreement with SinWaves, Inc. dba LYT (Santa Clara, CA) for a centralized transit signal priority solution, including related professional services such as implementation, testing, training, support, and maintenance, for a five-year term beginning on or about August 10, 2022 and ending on or about August 9, 2027 in alignment with the term of the software license and maximum compensation not to exceed \$500,000; and
- (b) Negotiate and execute amendments and change orders as required for any unanticipated changes for a contingency amount not to exceed \$62,500.

## **OUTCOME**

Authorizing the City Manager to take this action will improve Santa Clara Valley Transportation Authority (VTA) bus operating speeds on VTA bus routes 66 and 68 to reduce travel times, increase transit ridership, and reduce vehicle emissions, and supports the City of San José's (City) goal of providing viable transportation choices that promote a strong economy and a transportation system that enhances community livability.

## **BACKGROUND**

A majority of San José residents commute in single-occupancy vehicles (76.4% based on [U.S. Census Bureau, 2015](#)) which contributes significantly to congestion and pollution. To address this, the City has implemented many strategies to reduce vehicle miles travelled, balance the different modes of transportation, and reduce congestion and pollution. One of these strategies

involves transit signal prioritization whereby traffic signals change to prioritize transit vehicles, such as VTA buses. To date, this transit signal prioritization has relied on hardware-based systems that use sensors to detect transit vehicles at intersections and adjust signal phasing to minimize transit vehicle stops. Physical infrastructure and ongoing maintenance make larger scale deployments of these hardware-based solutions cost prohibitive.

In 2019, the City and VTA collaborated on a pilot project to test a primarily cloud- and software-based transit signal prioritization solution. The pilot project solution used machine learning based on historical traffic data to optimize transit signal operations and minimize conflicting traffic impacts. The pilot was successful, and the City subsequently received grant funding from VTA through the Transportation Fund for Clean Air program to procure the same or similar solution for larger scale deployment.

This agreement will provide for a primarily software-based centralized transit signal priority solution for VTA bus routes 66 (runs from south San José to the Milpitas BART station to north Milpitas) and 68 (runs from Gilroy to San José Diridon Station). These routes were selected in collaboration with VTA, and combined, include 120 signalized intersections.

## **ANALYSIS**

In February 2022, the Finance Department released a Request for Proposal (RFP) for a primarily software-based central transit signal priority solution through the City's e-procurement system, Biddingo. A total of 26 companies viewed the RFP, and three responsive proposals were received prior to the submittal deadline.

***Evaluation Process:*** Proposals were evaluated and scored independently, in accordance with the evaluation criteria set forth in the RFP, by a five-member evaluation team comprised of representatives from the Department of Transportation and VTA. Final scores are as follows:

<b>Evaluation Criteria</b>	<b>Maximum Points</b>	<b>ACT Traffic Solutions Inc.</b>	<b>Kimley-Horn &amp; Associates, Inc.</b>	<b>SinWaves, Inc. dba LYT</b>
General Requirements	10	5	7	9
Experience & Qualifications	20	9	15	16
Project Approach/Schedule	10	7	9	8
Technical Capabilities	40	25	32	33
Cost Proposal	20	16	0*	20
<b>TOTAL SCORE</b>	<b>100</b>	<b>62</b>	<b>63</b>	<b>86</b>

\*Vendor received 0 cost points for not submitting a completed cost form with their proposal response.

***Local and Small Business Enterprise Preference:*** Pursuant to [San José Municipal Code 4.12.330](#), the City's Local and Small Business (LBE/SBE) Enterprise Preference did not apply to this procurement due to the federal grant funding.

***Protest:*** The City RFP process included a 10-day protest period that began when the City issued the Notice of Intended Award on May 13, 2022. No protests were received.

***Award Recommendations:*** Staff recommends award of contract to SinWaves, Inc. dba LYT whose proposal was scored as the best value proposal per the evaluation criteria set forth in the RFP. The vendor's proposal was rated highly in the following key areas:

- Central transit signal priority solution with technical capabilities that meet or exceed all City requirements.
- Technically adept project manager necessary for deployment of this highly technical solution and a dedicated project team from Advanced Traffic Solutions, the software company that the City currently uses for all its traffic signal controllers.
- Thorough project approach and schedule with detailed timelines.
- Lowest overall total cost of ownership that was approximately 17% less than the grant-funded budget, allowing excess grant funds to be used for City staff support costs and contingency as required.

Staff conducted reference checks with the City of Fremont (CA) and San Mateo County Transit District (CA). Both references provided positive feedback.

***Summary of Proposed Agreement:*** The agreement with LYT will be in accordance with the City's standard terms and conditions. Should any modifications to the City's standard terms and conditions arise, changes will be approved by the City Attorney's Office and City Manager's Office per City policy. The agreement includes the following provisions:

- Detailed scope of work to ensure that the implemented solution complies with the City's requirements;
- Preliminary project implementation plan that meets the City's requirements for project completion;
- Compensation schedule that includes a 20 percent holdback on vendor payment until after final acceptance of all project milestones and deliverables; and
- Fixed pricing for the full five-year term of the agreement.

## **CONCLUSION**

Approval of this recommendation will provide a primarily software-based centralized transit signal priority solution for VTA bus routes 66 (runs from south San José to the Milpitas BART station to north Milpitas) and 68 (runs from Gilroy to San José Diridon Station). Through this project, it is estimated that over 800 single occupancy vehicle trips per weekday and over 450

single occupancy vehicle trips per weekend will be removed. As a result of these vehicle trip removals, it is also estimated that 1.9 tons of vehicle emissions and 1,100 tons of greenhouse gas emissions will be reduced within just the first two years of the project, helping the City achieve its multi-modal goals while also reducing traffic congestion and harmful emissions and improving transit speed and travel time reliability.

### **EVALUATION AND FOLLOW-UP**

This memorandum will not require any follow-up from staff.

### **CLIMATE SMART SAN JOSE**

The recommendation in this memorandum aligns with one or more Climate Smart San José energy, water, or mobility goals.

### **PUBLIC OUTREACH**

This item will be posted on the City's website for the August 9, 2022 City Council meeting.

### **COORDINATION**

This memorandum has been coordinated with the Department of Transportation, the City Attorney's Office, and the City Manager's Budget Office.

### **COMMISSION RECOMMENDATION**

No commission recommendation or input is associated with this action.

### **FISCAL/POLICY ALIGNMENT**

This project aligns with the Transportation and Aviation Services City Service Area outcomes to provide viable transportation choices that promote a strong economy and to provide a transportation system that enhances community livability.



**COST SUMMARY/IMPLICATIONS**

**1. AMOUNT OF RECOMMENDATION (Five-Year Term) \$500,000**

**2. COST ELEMENTS:****One-Time Implementation Services (First Year)**

- Project Kick-Off	\$ 0
- Solution Deployment	29,280
- Verification Plan / Acceptance Testing	4,000
- Verification Test	4,000
- Go Live	0
- Training / Solution Documentation	7,200
- Final Acceptance (20%)	11,120

**One-Time Implementation Services Subtotal \$55,600**

**Licensing, Maintenance, and Support (Five Years)**

- Software Licensing	\$344,400
- Support and Maintenance	100,000

**Licensing, Maintenance, and Support Subtotal \$444,400**

**CONTRACT NOT-TO-EXCEED TOTAL (Five-Year Term) \$500,000**

Contingency\* 62,500

Project Delivery\*\* 40,500

**GRAND TOTAL NOT TO EXCEED (GRANT-FUNDED AMOUNT) \$603,000**

\* Subject to an executed change order or amendment

\*\* City staff costs for project management

**3. SOURCE OF FUNDING:**

429 – Building and Structure Construction Tax Fund

**4. FISCAL IMPACT:**

The Department of Transportation received a one-time allocation for this project via the Bay Area Air Quality Management District's Transportation Fund for Clean Air program, sponsored by VTA.

July 25, 2022

**Subject: Report on Request for Proposal for a Centralized Transit Signal Priority Solution**

Page 6

### **BUDGET REFERENCE**

The table below identifies the funds and appropriations proposed to fund the contract recommended as part of this memorandum.

Fund #	Appn. #	Appn. Name	Total Appn.	Amt. for Contract*	2022-2023 Proposed Capital Budget Page**	Last Budget Action (Date, Ord. No.)
429	423E	TFCA 2020-2021 Transit Signal Priority (TSP)	\$566,000	\$500,000	Page 757	6/21/2022, 30790

\*Amt. for Contract does not include \$62,500 in contingency subject to an executed change order or amendment.

\*\*The 2022-2023 Proposed Capital Budget was adopted by the City Council on June 21, 2022.

### **CEQA**

Not a project, Public Project Number PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/

JULIA H. COOPER  
Director of Finance

For procurement- and contract-related questions, please contact Jennifer Cheng, Deputy Director of Finance, at [jennifer.cheng@sanjoseca.gov](mailto:jennifer.cheng@sanjoseca.gov). For program-related questions, please contact Ken Jung, Signal Operations Division Manager, Department of Transportation, at [Kenneth.Jung@sanjoseca.gov](mailto:Kenneth.Jung@sanjoseca.gov).

To: MTD Board of Directors  
From: Jerry Estrada, General Manager  
Date: November 7, 2023  
Subject: GM Report

MTD currently has one hundred and fourteen Bus Operators available for duty, with eight candidates in the hiring process. A new Bus Operator, Maria Evans began her employment training with MTD on October 30, 2023. The Fleet & Facilities department is working closely with Human Resources to fill open positions. Interviews are scheduled in the upcoming weeks with mechanic candidates and we are hopeful to fill two open spots. We are also looking to fill a Service Worker position. On October 30, 2023 a Human Resources Analyst was extended a contingent offer of employment as well.

Five of the nine New Flyer battery-electric buses have arrived to Terminal 1. MTD's maintenance team continues to perform post-delivery inspections on the vehicles to ensure that all systems and components are functional, fit and finish was completed in a workmanlike manner, and all of the vehicle equipment meets MTD's specifications. Upon determination of the preceding, MTD will issue acceptance and payment to New Flyer. The remaining buses are anticipated to arrive to MTD by the end of the year. MTD supervisors and mechanics participated in a week of bus operations and maintenance training provided by New Flyer for our new 40' BEB Excelsior buses.

The Digi Modem upgrade pilot for our fleet of buses was successful. IT and Fare Management Staff have a plan to install the upgrades to all buses by December 31, 2023. Clever Devices has been working with IT Staff to prepare upgrading the Server and Application Software for the Computer Aided Dispatch/Automated Vehicle Location (CAD/AVL) Systems in the buses. Computer Aided Dispatch (CAD) gives operators the tools necessary to safely run their routes as well as a direct 2-way communication with central dispatch. Automated Vehicle Location (AVL) records and tracks the locations of our vehicles. After careful consideration staff concluded that an on-premises solution was the best option versus placing the system in the cloud for a number of reasons: Cost, Control of Data and Security. A presentation will be made to the Board of Directors with a Request for Approval to enter into a contract for replacing the existing hardware, from the original placement, and Software Application Upgrades. The Director of Finance and Administration attended a Cybersecurity Webinar provided by the Federal Transportation Agency (FTA).

Procurement has released the Invitation for Bid (IFB) for the Fuel Contract, due November 9. At the June 20, 2023, Board Meeting, the Board provided the General Manager advance authorization to sign a contract with a responsive and responsible bidder for a limited duration and a capped price. There are seven (7) qualified bidders.

The IFB for Bus Shelter Repairs was released. A non-mandatory job walk was held Thursday, October 27. Three (3) contractors were in attendance with staff and a fourth contractor has offered interest in bidding the project.

On the afternoon of Friday, October 28, the IFB for the Construction Solicitation for Bids on the Terminal 2 Recommissioning, Phase I was released. A marketing process between Procurement Staff and our Construction Management Consultant, Kitchell has produced a number interested parties. As of 2:13pm last Friday, there were already 23 views. Follow up contacts will be made. A mandatory job walk is scheduled on the T2 premises for November 8 @ 10AM. Bids are due, Thursday, December 7, 2023 @ 10AM.

The Fiscal Year 2023 Financial and Single Audits were completed without findings. They will be presented to the Board of Directors on November 7. Accounting Staff completed the NTD Annual Reporting Requirements along with the FTA Federal Financial Reports for the Quarter and Federal Fiscal Year ending September 30, 2023.

General Manager Estrada submitted MTD's FY 2023 National Transit Database (NTD) Annual Report. The report will be reviewed by NTD staff, and if there are any questions the report will be sent back to MTD for input. Typically, the NTS Annual Report goes through one or two rounds of questions before acceptance by NTD. Staff submitted the September monthly Ridership report and Safety and Security report, and the October weekly Ridership report to NTD.

Staff submitted the quarterly and annual Federal Financial Reports (FFRs) and Milestone Progress Reports (MPRs) to FTA for all of MTD's open federal awards. Staff also submitted the annual cap-and-trade Low Carbon Transit Operations Program (LCTOP) reports to Caltrans on all open LCTOP projects.

Staff will attend meetings of the Santa Barbara County Association of Governments' (SBCAG's) Technical Transportation Advisory Committee (TTAC) and Joint Technical Advisory Committee on November 2. TTAC will be asked to recommend that the SBCAG Board approve the FY 2022-23 Transportation Development Act - State Transit Assistance (TDA-STA) apportionments, and the 2024 Regional Transportation Improvement Program. TTAC will receive updates on several topics, including: final allocations of the FY 2022-23 Transportation Development Act - Local Transportation Fund (TDA-LTF); draft Measure A revenue estimates for the FY 2024-25 to FY 2028-29 period; sub-allocation of State Senate Bill 125 (SB125) formula funding available to Santa Barbara County through the Transit and Intercity Rail Capital Program (TIRCP) and Zero Emission Transit Capital Program (ZETCP); and recent activities of the California Transportation Commission. JTAC will be asked to recommend that the SBCAG Board approve the Public Participation Plan for the 2025 Regional Transportation Plan - Sustainable Communities Strategy (RTP-SCS) and approve a title for the document. JTAC will receive updates on the draft "Understanding Regional Travel Patterns" report and the "Planner's Census Reference," and will be asked to provide input on work tasks to be included in SBCAG's FY 2024-25 Overall Work Program.

The Charge Ready Bridge Project team is now focused on the remaining elements of the project, installation of the ornamental fencing along the Salsipuedes Street perimeter and repair of the Salsipuedes Street driveway and storm drain. The final tasks require excavation of contaminated soils in and around the Salsipuedes driveway area. As a result, the team is working with the

Santa Barbara County Public Health Department to obtain the appropriate approvals to perform the remaining work. It is anticipated that authorization from the County Public Health Department will be acquired in late December 2023 or early January 2024.

MTD's California Energy Commission (CEC) Blueprint Grant Project team is currently working on the last two deliverables, the Blueprint Report and Final Report. The Blueprint Report is the culmination of all of the various reports submitted to the CEC and will include a conceptual design and single line diagram of the microgrids at Terminal 1. The Final Report is a review of the project goals, objectives and outcomes.

Staff submitted the requisite information to the California Air Resources Board (CARB) to allow the latest ChargePoint chargers to be added to MTD's Low Carbon Fuel Standard (LCFS) account. Doing so allows MTD to receive LCFS credits for vehicle charging associated with the 14 ChargePoint chargers recently installed.

Risk is working with MTD's insurance broker, Brown & Brown, on the upcoming renewals for three separate insurance policies: Directors and Officers (D&O), Employment Practices Liability (EPL), and Fiduciary, for the policy period January 3, 2024 – January 3, 2025. Brown & Brown is out to market to receive quotes from incumbent and potential new carriers for the most favorable terms in coverage and pricing. Early indicators are that the EPL and D&O markets remain in a hard market due to claims experience (frequency and severity) across California, and continued impact from wild fires and COVID-19 losses, continuing to drive increases upwards of 10% to 20%.

