

Request for Proposals for Financial Audit Services

SOLICITATION INSTRUCTIONS

Project Summary Sheet

Project Name: Financial Audit Services

Solicitation Issuance Date: March 30, 2026

Project Description: The Santa Barbara Metropolitan Transit District (MTD), a California special district public transit operator, is requesting proposals from qualified accounting firms to perform a financial audit of MTD in compliance with various accounting, federal, and state standards and requirements for its fiscal years ending June 30 of 2026, 2027, and 2028, with an option to extend the contract for the fiscal years ending June 30 of 2029 and 2030.

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

Clarification & Change Request Deadline: Monday, April 13, 2026, by 10:00 AM (PDT)
to purchasing@sbmtd.gov

Proposal Due Date/Time: Monday, April 27, 2026, at 10:00 AM (PDT) to purchasing@sbmtd.gov

Interviews (if necessary): Tuesday-Thursday, April 28-30, 2026, by Zoom

Board Award Consideration Date: Tuesday, May 5, 2026 (anticipated)

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

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

Type of Contract: Firm Fixed Price

Other Requirements: Subject to Federal Transit Administration Contract Provision

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



Request for Proposals for Financial Audit Services

March 30, 2026

Contact:

Valerie White
Purchasing Agent
Santa Barbara Metropolitan Transit District
805.963.3364 x244
550 Olive Street
Santa Barbara CA 93101
vwhite@sbmtd.gov
purchasing@sbmtd.gov
www.sbmtd.gov

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

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SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

Request for Proposals for Financial Audit Services

SOLICITATION INSTRUCTIONS

1. PROJECT DESCRIPTION

The Santa Barbara Metropolitan Transit District (“MTD” or “District”) is an incorporated transit district under Sections 95000, et seq. of the California Public Utilities Code. MTD’s mission is to enhance the mobility of South Coast residents, commuters, and visitors by offering safe, appealing, equitable, environmentally responsible, and fiscally sound transit service. MTD annually operates with an approximate budget of \$34,226,154 and has a capital budget of \$44.7 million. This Request for proposals (RFP) seeks qualified accounting firms to audit MTD’s annual financial statements and determine compliance with various accounting, federal, and state standards and requirements. Details of the requirements are contained in the attached *Scope of Services*. The *Single Audit Report* and *Basic Financial Statements and Required Supplementary Information* for the most recent fiscal year are included as attachments hereto.

2. PRE-SUBMITTAL ACTIVITIES

2.1 REQUESTS FOR CHANGES OR CLARIFICATIONS

- Requests to purchasing@sbmtd.gov by Monday, April 13, 2026, by 10:00 AM

All communications concerning this Request for Proposals (RFP) and the project shall be directed to Valerie White, the purchasing agent, via e-mail to purchasing@sbmtd.gov. Offerors may request a clarification or change to any aspect or requirement of the RFP or any addenda thereto. Such requests must be received by MTD by Clarification & Change Request Deadline: Monday, April 13, 2026, by 10:00 AM (local time) to be considered.

2.2 RFP MODIFICATIONS & ADDENDA

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

3. PROPOSAL PREPARATION & SUBMITTAL

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

3.1 OFFEROR-PREPARED DOCUMENTS

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

- Its interest and willingness to enter into a contract with MTD to carry out the audit services as described in the attached *Scope of Services*.
- Its willingness to accept the contract terms and conditions included in the *MTD Master Agreement* and the *Federal Transit Administration Contract Provisions*.
- Its ability and willingness to obtain insurance meeting the requirements indicated in paragraph 18 of the *Master Agreement*.
- It is a Certified Public Accountant firm licensed by the California State Board of Accountancy.
- It has conducted audits of California transit agencies or other governmental units for at least five years.
- It possess sufficient staffing and other resources to perform the audit in a timely and efficient manner It shall use only Certified Public Accountants to make, evaluate, recommend, provide written reports (except clerical), and to make presentations unless otherwise approved by MTD.
- It is fully familiar with the Single Audit requirements of the Office of Management and Budget (OMB): Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and applicable Governmental Accounting Standards Board (GASB) pronouncements.

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

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

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

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

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

3.2 OFFEROR-COMPLETED MTD FORMS

Price Proposal – Proposal shall include the fully completed and signed Price Proposal form included in this RFP package showing the total compensation for carrying out the project under the terms of the Agreement. **Failure to include a completed and signed price proposal using the provided form will render a proposal non-responsive and it will be rejected.**

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

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

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

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

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

3.3 PROPOSAL SUBMITTAL

- Proposals Due Monday, April 27, at 10:00 AM to Santa Barbara MTD

Electronic Proposal Submittal: One electronic proposal in readable PDF format shall be emailed to purchasing@sbmtd.gov with the email subject line stating "Financial Audit Services Proposal."

Proposals will be accepted by MTD via email only until Monday, April 27, 2026, at 10:00 AM (local time). It is advisable to submit the proposal in advance of the deadline to allow for the resolution of any email delivery problems. Unless determined solely by MTD that a proposal was late due to the fault of MTD, submittals received after such time cannot be considered by MTD. There will be no public opening of proposals.

3.4 WITHDRAWAL OF PROPOSALS

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

3.5 PROPOSAL SUBMITTAL STIPULATIONS

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

proposals become public records under the California Public Records Act, excluding specific elements strictly marked as "Proprietary" trade secrets. Blanket confidentiality designations are insufficient to protect submitted materials, and MTD assumes no liability for the legal disclosure of any proposal components.

4. PROPOSAL EVALUATION

4.1 PROPOSAL DEVIATIONS & COLLUSION

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

4.2 RESPONSIVENESS

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

4.3 EVALUATION COMMITTEE

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

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

4.4 RESPONSIBILITY

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

4.5 INTERVIEWS

As part of the evaluation process, MTD may conduct interviews with the highest ranked Offeror or Offerors the Evaluation Committee deems to be in competitive range. Such interviews are for information gathering and clarification for the Evaluation Committee. Offerors should be prepared to discuss their proposals. MTD may conduct up to 1.5 hour interviews by teleconferencing means

(Zoom) the same week (April 28-20, 2026). MTD reserves the right to award a contract without interviews and/or negotiations if deemed unnecessary to determine the most qualified, responsible Offeror with a fair and reasonable price proposal.

4.6 BEST AND FINAL OFFER (BAFO)

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

4.7 FINAL EVALUATION

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

5. CONTRACT AWARD

5.1 AWARD PROCESS

If considered in MTD's best interest, the MTD General Manager will recommend to the MTD Board of Directors that a contract be awarded to the Offeror that has submitted the proposal that MTD finds provides the best value. It is anticipated that such recommendation will be considered by the Board of Directors at its regular meeting of Tuesday, May 5, 2026.

5.2 CONTRACT EXECUTION

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

5.3 OPTION PROVISIONS

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

6. PROTEST PROCEDURES

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

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



Request for Qualifications for Financial Audit Services

**Attachment 1
MTD Forms & Certifications**

Contact:

Valerie White
Purchasing Agent
Santa Barbara Metropolitan Transit District
805.963.3364 x244
550 Olive Street
Santa Barbara CA 93101
vwhite@sbmtd.gov
purchasing@sbmtd.gov
www.sbmtd.gov

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

Request for Qualifications for Financial Audit Services

CHECKLIST

The Checklist is an aid for completing the requirements of this Request for Proposals for Financial Audit Services. It does not substitute for any provision or obligation in the Solicitation Instructions or the terms and conditions in the attachments. In the event of any conflict between this Checklist and the aforementioned documents, the latter shall control over the Checklist.

Important Dates:

- Requests for change and clarifications due by Monday, April 13, 2026, by 10:00 AM PDT by email to purchasing@sbmtd.gov
- Submittals due by Monday, April 27, 2026, by 10:00 AM PDT to Santa Barbara MTD, Attn: Financial Audit Services RFP, 550 Olive Street, Santa Barbara, CA 93101

Required Offeror-Provided Documents:

Submit one original “wet ink” and one printed copy and one digital copy in readable PDF on USB flash drive

- Technical Proposal

Required MTD Forms to be completed:

Submit one original “wet ink” and one printed copy and one digital copy in readable PDF on USB flash drive

- Price Proposal
- Acknowledgement of Addenda
- Bidder Information
- Credit & Work References
- Non-Collusion Declaration and Compensation Certification
- Lobbying Certification

Anticipated Project Milestones:

- Interviews/ BAFOs (if necessary, by MTD evaluation committee) starting April 28, 2026
- Board of Directors consideration, May 5, 2026, meeting
- Contract Execution by June 1, 2026

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

Description	Price
Fixed Price for Financial Audit for MTD Fiscal Year Ended June 30, 2026	\$
Fixed Price for Financial Audit for MTD Fiscal Year Ended June 30, 2027	\$
Fixed Price for Financial Audit for MTD Fiscal Year Ended June 30, 2028	\$
Fixed Price for Financial Audit for MTD Fiscal Year Ended June 30, 2029 (option)	\$
Fixed Price for Financial Audit for MTD Fiscal Year Ended June 30, 2030 (option)	\$
TOTAL Price for Base Contract plus all Option Years	\$

The Bidder hereby represents and warrants that:

1. It has sufficiently informed itself in all matters affecting the performance of the work, or the furnishing of the labor, services, software, supplies, material, or equipment called for in carrying out the project.
2. It has reviewed the contract documents including the *MTD Master Agreement*, the *Federal Transit Administration Contract Provisions*, and the *Scope of Services*, and agrees to the terms and conditions thereof.
3. Its bid has been thoroughly checked for errors and omissions and the costs, prices, hours, rates, and any other constituents of this Price Proposal are a complete and correct statement of its price for performing all project work required by the contract documents.
4. Its bid is genuine, not sham or collusive, nor made in the interest of any person not herein named; that it has not in any illegal manner sought to secure for itself any advantage over any other bidder.
5. Its bid, including this Price Proposal, is valid for 90 days following the bid due date and time.

 Authorized Official Signature

 Date of Signature

 Authorized Official Name

 Authorized Official Title

 Business Name of Bidder

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

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

Request for Proposals for Financial Audit Services

ACKNOWLEDGEMENT OF ADDENDA

The undersigned acknowledges the Offeror's receipt of the following addenda to this RFP and has incorporated information or changes in said addenda within its submittal (if no addenda were received, write "None" in the first blank):

Addendum No. _____ dated _____

Addendum No. _____ dated _____

Addendum No. _____ dated _____

Addendum No. _____ dated _____

Addendum No. _____ dated _____

Addendum No. _____ dated _____

Note: It is the Offeror's responsibility to ensure it receives all addenda which are posted on the MTD website at <http://www.sbmttd.gov/about/doing-business/>.

Authorized Official Signature

Date of Signature

Authorized Official Name

Authorized Official Title

Business Name of Bidder

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

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

General Information

Business Name of Bidder: _____

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

Age of the Firm: _____ Annual gross receipts (range/rounded): _____

Special Business Designations (DBE, MBE, WBE, etc): _____
 DBE non-DBE

Business Federal Tax ID Number: _____ DUNS Number (if have one): _____

NAICS code(s) for accomplishing the scope of work: _____

Corporate Headquarters

Street Address: _____

City: _____ State: _____ Zip Code: _____

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

Street Address: _____

City: _____ State: _____ Zip Code: _____

Authorizing Contact (authorized to bind the firm contractually, discuss/negotiate account terms)

Name: _____ Title: _____

Location: HQ Local Office Other: _____

Telephone: _____ Cell: _____ E-Mail: _____

Project Manager (MTD point of contact for bringing the project to completion at the proposed price)

Name: _____ Title: _____

Location: HQ Local Office Other: _____

Telephone: _____ Cell: _____ E-Mail: _____

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

Request for Proposals for Financial Audit Services

CREDIT & WORK REFERENCES

Business Name of Bidder: _____

Credit References

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

Bank or Vendor Name: _____ Contact Name: _____

Contact Phone: _____ Contact E-Mail: _____

Vendor Name: _____ Contact Name: _____

Contact Phone: _____ Contact E-Mail: _____

Work References

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

Client Name: _____ Contact Name: _____

Contact Phone: _____ Contact E-Mail: _____

Client Name: _____ Contact Name: _____

Contact Phone: _____ Contact E-Mail: _____

Client Name: _____ Contact Name: _____

Contact Phone: _____ Contact E-Mail: _____

Client Name: _____ Contact Name: _____

Contact Phone: _____ Contact E-Mail: _____

Client Name: _____ Contact Name: _____

Contact Phone: _____ Contact E-Mail: _____

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

Request for Proposals for Financial Audit Services

LOBBYING CERTIFICATION

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

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

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

(3) The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by 31, U.S.C. § 1352 (as amended by the Lobbying Disclosure Act of 1995). Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

The Contractor certifies or affirms the truthfulness and accuracy of each statement of its certification and disclosure, if any. In addition, the Contractor understands and agrees that the provisions of 31 U.S.C. A 3801, *et seq.*, apply to this certification and disclosure, if any.

Authorized Official Signature

Date of Signature

Authorized Official Name

Authorized Official Title

Business Name of Vendor
(Signer must match authorized official shown on Bidder Information form)

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

The undersigned declares:

I am the _____ of _____,
(title) (business name of bidder)

the party making the included bid.

The bid is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation. The bid is genuine and not collusive or sham. The bidder has not directly or indirectly induced or solicited any other bidder to put in a false or sham bid. The bidder has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham bid, or to refrain from bidding. The bidder has not in any manner, directly or indirectly, sought by agreement, communication, or conference with anyone to fix the bid price of the bidder or any other bidder, or to fix any overhead, profit, or cost element of the bid price, or of that of any other bidder. All statements contained in the bid are true. The bidder has not, directly or indirectly, submitted his or her bid price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, to any corporation, partnership, company, association, organization, bid depository, or to any member or agent thereof, to effectuate a collusive or sham bid, and has not paid, and will not pay, any person or entity for such purpose.

Any person executing this declaration on behalf of a bidder that is a corporation, partnership, joint venture, limited liability company, limited liability partnership, or any other entity, hereby represents that he or she has full power to execute, and does execute, this declaration on behalf of the bidder.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on _____, at _____, _____.
(date) (city) (state)

Authorized Official Signature

Authorized Official Name (printed)

COMPENSATION CERTIFICATION

I am aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract.

Authorized Official Signature

Date of Signature

Authorized Official Name

Authorized Official Title



Request for Qualifications for Financial Audit Services

Attachment 2 Scope of Services

Contact:

Valerie White
Purchasing Agent
Santa Barbara Metropolitan Transit District
805.963.3364 x244
550 Olive Street
Santa Barbara CA 93101
vwhite@sbmtd.gov
purchasing@sbmtd.gov
www.sbmtd.gov

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

Financial Audit Services

SCOPE OF SERVICES

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SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

Financial Audit Services

SCOPE OF SERVICES

I. INTRODUCTION & BACKGROUND

A. INTRODUCTION

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

The Auditor shall provide all necessary resources including, but not limited to, qualified personnel, software, hardware, internet access, licenses, equipment, and supplies necessary to carry out the Audit as specified herein for a three-year period with an option for two additional years beginning with MTD's 2025-2026 fiscal year that ends June 30, 2026.

B. GENERAL INFORMATION

1. MTD is a California Special District created by state law in 1965 to provide public mass transit services to the South Coast of Santa Barbara as codified in the Public Utilities Code 95000 et. seq.
2. MTD is governed by a Board of Directors (Board) made up of seven members. Two members are appointed by the County Board of Supervisors, two by the Santa Barbara City Council, one by the Goleta City Council, and one by the Carpinteria City Council. The seventh "at-large" member is appointed by the other six members of the Board. The Board normally meets at 8:30 AM on the first and third Tuesday of each month except during August and December when there are no scheduled meetings.
3. The Auditor is working on behalf of and ultimately reports to the Board. The Audit is under the purview of the Finance, Risk & Human Resources Committee, comprised of three members of the Board.
4. MTD currently provides fixed route bus and on-demand micro-transit services. ADA paratransit service is provided under contract with a local non-profit agency. The ADA contractor is not subject to the Audit specified herein.
5. MTD's service area is 52 square miles and includes the cities of Santa Barbara, Goleta, and Carpinteria; and the unincorporated portions of the County of Santa Barbara between such cities including the areas of Montecito and Summerland. The region is commonly referred to as the South Coast of Santa Barbara County.
6. MTD currently operates a fleet of 100 transit buses including 30-, 40-, and 60-foot models powered by renewable diesel, battery-electric, and hybrid diesel-electric engines and motors. There are no fixed guideway or Bus Rapid Transit services provided by MTD.

7. MTD employs approximately 194 full-time equivalent employees, plus approximately 8 part-time employees, with one Union local and three bargaining units (Drivers, Operator Supervisors, and Maintenance). Other than the General Manager, staff and management are at-will employees.
8. MTD's transit-related facilities include:
 - a. Administrative, Operations, and Maintenance Facility located at 550 Olive Street, Santa Barbara, CA, 93101 (where Finance Department staff and records are located).
 - b. The Transit Center, MTD's primary passenger facility, located at 1020 Chapala Street, Santa Barbara, CA 93101.
 - c. A second limited operations facility at 5353 Overpass Road, Goleta, CA 93111.

C. FINANCIAL & DATA SYSTEM INFORMATION

1. Fund Accounting – MTD's financial statements are prepared using proprietary (enterprise) fund accounting. MTD operates under one enterprise fund using an economic resources measurement focus and the accrual basis of accounting.
2. Budget – Annual budgets are scheduled for approval each June for the fiscal year beginning the following July 1. The approved MTD operating budget for Fiscal Year 2025-26 (FY25-26) is \$34 million. The capital budget is \$44 million.
3. Pension Plans – MTD contributes to the Western Conference Teamsters Pension Trust on behalf of represented employees. Pension benefits for staff and management are through the MTD 401(k) Salary Deferral Plan & Trust. MTD is not a member of the California Public Employees Retirement System (CalPERS).
4. OPEB – In FY16-17, MTD began prefunding its OPEB liability for retiree health benefits with the establishment of a \$1 million irrevocable trust with the California Employers Retiree Benefit Trust (CERBT) which is managed by CalPERS. The Board authorized an additional \$500,000 of prefunding in FY 17-18. Approximately 59% of the estimated \$2.7 million OPEB obligation at the end of FY24-25 is funded. The biennial OPEB actuarial valuation will take place this summer with a measurement date of June 30, 2026.
5. Accounting Software – MTD uses the SBT Pro Series 5.0i accounting system for recording and maintaining its financial transactions and database. The SBT software, developed using Microsoft FoxPro, has been in use since 1994. SBT is linked to Trapeze Timekeeper for importing driver payroll and Trapeze EAM for importing bus parts purchase order and inventory data. Given its limited functionality, SBT data is exported to custom-built Microsoft Access databases and Microsoft Excel workbooks that are used primarily for expanded analysis and reporting capabilities.

II. CONTACTS & COMMUNICATIONS

A. MTD CONTACTS

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

1. Chief Executive Officer
 - a. Jerry Estrada, General Manager (CEO)
2. Finance Department
 - a. Nancy Tillie, Director of Finance and Administration (CFO-Audit Lead)

- b. Thais Sayat, Finance Manager
 - c. Diana Flores, Accounting Supervisor
3. Other Departments
- a. Mary Gregg, Chief Operating Officer/Assistant General Manager (COO)
 - b. Pablo Zuniga Manager of IT Systems

B. COMMUNICATIONS & MEETINGS

1. Communications
- a. Generally, any communications requesting, delivering, or complying with actions, financial information, documents, and any other items concerning the Audit shall be via email between MTD and the Auditor with appropriate attachments. There may be exceptions such as when original documents and signatures are required.
 - b. Meetings and telephone communications concerning audit matters shall be confirmed in a follow-up email prepared by the Auditor unless of a trivial nature.
 - c. Nancy Tillie, Director of Finance and Administration, shall lead the Audit for MTD. Unless indicated otherwise, all communications and coordination of audit activities shall be through Ms. Tillie.
2. Meetings & Presentations
- a. All meetings and presentations shall be carried out in compliance with applicable federal, state and local health and safety orders, mandates, measures, and guidance.
 - b. If desired by the Finance, Risk & Human Resources Committee or the General Manager, the Auditor shall meet with the Committee or General Manager prior to the start of the Audit to review the Audit objectives and process, or to communicate any particular Audit goals or emphasis. The Auditor shall be available for additional meetings with such parties as requested.
 - c. Following acceptance of the engagement letter by MTD and prior to the start of the Audit, there shall be a “kick-off” meeting between key personnel of the Auditor and MTD. Prior to the meeting, the Auditor shall provide a proposed Audit schedule with dates, and a preliminary list of items and other needs required by the Auditor to carry out the Audit.
 - d. There shall be at least biweekly meetings between the MTD Director of Finance and Administration and the designated Auditor representative to review the progress of the Audit to ensure compliance with the Audit schedule to the extent feasible. The Auditor shall provide a follow-up email report by the end of the day on key matters discussed and decisions agreed upon.
 - e. MTD and Auditor representatives shall be available for meetings or telephone calls as needed to carry out the Audit and meet the Audit objectives including a review of draft Audit deliverables.
 - f. The Auditor shall make formal presentations on the results of the Audit to the Finance, Risk & Human Resources Committee and the Board in open public meetings. It is anticipated that there will be only one presentation to each body but more may be required.

III. AUDITING STANDARDS & RESPONSIBILITIES

It is not the purpose of this *Scope of Services* to provide a complete description of the requirements

of the Audit but rather to outline the process and deliverables as understood by MTD as well as to specify other MTD requirements. It is fully the responsibility of the Auditor to be aware of, comply with, and carry out applicable financial auditing requirements for a California special district public transit agency including the audit requirements of the state and federal agencies, programs, and grants that provide funding. If anything if this *Scope of Services* appears to differ from the requirements of the Audit, the Auditor shall bring such discrepancies to the attention of MTD for clarification and/or correction.

A. AUDITING STANDARDS

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

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

B. MTD RESPONSIBILITIES

MTD Finance staff shall:

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

C. AUDITOR RESPONSIBILITIES

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

1. Complete the Audit such that the Auditor presentation to the Board shall be no later than the third Tuesday of the October following the end of the fiscal year.
2. Prepare Audit schedule with due dates and list of all financial data, records, transaction listings, reports, schedules, spreadsheets, procedures, support documentation, contracts, etc. to be provided by MTD to the Auditor in order to properly perform the Audit.
3. Review MTD's internal control structure and assess control risk to determine the extent of auditing procedures necessary to express an opinion on the financial statements; and without expressing an opinion on internal controls, report any material weaknesses identified as a result of such review.
4. Carry out tests of documentary evidence supporting the transactions recorded in the accounts which may include tests of the physical existence of assets and inventories; and require confirmation of accounts receivables and other pertinent assets and liabilities from third parties that may include individuals, financial institutions, attorneys, creditors, or local, state and federal funding agencies.
5. Interview appropriate MTD employees as necessary or required for carrying out the Audit. Such interviews may be through MTD completion of Auditor forms, surveys or questionnaires to the extent that such completion is not the responsibility of the Auditor.
6. As needed, make MTD aware of accounting standards, principles, requirements, etc., including the application thereof, for MTD to accurately prepare the financial statements and associated items.
7. Using financial and other information provided by MTD, prepare all required reports, documents, letters, etc. including but not limited to those deliverables listed in Section IV below.
8. Maintain Audit working papers for a minimum of three years from the date of the Audit. Upon any request for such working papers by cognizant state, or federal agency, Auditor shall inform MTD of such request and make the working papers available to the agency to the extent required.
9. Report and provide an opinion on MTD compliance, in all material respects, with laws and regulations that apply to major federal financial assistance programs. Regarding transactions for non-major programs, the compliance report will contain a statement of positive and negative assurances.

IV. AUDIT DELIVERABLES

A. REPORTS & DOCUMENTS LISTING

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

1. Financial Statements and Required Supplementary Information
 - a. Independent Auditor's Report
 - b. Management Discussion and Analysis
 - c. Financial Statements

- (1) Statements of Net Position
- (2) Statements of Revenue, Expenses and Change in Net Position
- (3) Statements of Expenses
- (4) Statements of Cash Flows
- d. Notes to Financial Statements
- e. Required Supplementary Information
2. Compliance Reports
 - a. Report on Internal Controls (without an opinion)
 - b. Schedule of Expenditures of Federal Awards (SEFA)
 - c. Notes to Schedule of Expenditures of Federal Awards
 - d. Report on Compliance and on Internal Control over Financial Reporting in accordance with Government Auditing Standards
 - e. Report on Compliance with Requirements applicable to Each Major Program and Internal Control over Compliance in Accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* of the OMB
 - f. Federal Schedule of Findings and Questioned Costs
 - g. Report including an opinion on compliance with the California TDA including any State of Good Repair or Low Carbon Transit Operations Program funds received or expended
3. Other Documents
 - a. Management Letter including any findings and/or recommendations
 - b. Management Representation Letter (prepare on behalf of MTD for MTD signature)
 - c. Auditor's Communication with Those Charged with Governance (AICPA SAS No. 114)

B. FORMATS & QUANTITIES

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

C. PUBLIC RECORDS

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

End of Scope of Services Text



Request for Qualifications for Financial Audit Services

**Attachment 3
Master Agreement**

Contact:

Valerie White
Purchasing Agent
Santa Barbara Metropolitan Transit District
805.963.3364 x244
550 Olive Street
Santa Barbara CA 93101
vwhite@sbmtd.gov
purchasing@sbmtd.gov
www.sbmtd.gov

Santa Barbara Metropolitan Transit District

Financial Audit Services

MASTER AGREEMENT with [contractor]

THIS AGREEMENT is entered into by and between Santa Barbara Metropolitan Transit District, an incorporated transit district under Sections 95000, et seq. of the California Public Utilities Code ("MTD"), and [insert contractor name], a [insert state name] [insert business type] ("Contractor"), at Santa Barbara, California, as of the later date set forth below the signatures executing this Agreement.

WHEREAS:

- A. MTD desires to engage Contractor for [financial audit services](#) (the "Project");
- B. Contractor represents that it has the knowledge and experience to carry out the Project, and desires to carry out the Project pursuant to the terms and conditions hereof, and;
- C. Based upon the representations made by Contractor, MTD desires to retain the services of Contractor to carry out the aforesaid Project, upon the within terms and conditions.

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

- 1. Effect of Recitals. The foregoing recitals are hereby made express provisions of this Agreement.
- 2. FTA Provisions. The Project is funded in part by the Federal Transit Administration of the U.S. Department of Transportation and, as such, this Agreement is subject to the terms and conditions contained in *Federal Transit Administration: Contract* which is attached hereto as Exhibit "A" and incorporated herein by this reference.
- 3. Public Works Provisions. Not applicable to this agreement.
- 4. Scope of Services. MTD has heretofore issued on [March 30, 2026](#), the [Scope of Services](#) contained in Request for Proposals for [Financial Audit Services](#), a true copy of which is attached hereto as Exhibit "B" and incorporated herein by this reference.
- 5. Proposal. Contractor has heretofore submitted on [April 27, 2026](#), a proposal to carry out the Project, true copies of relevant parts that are attached hereto as Exhibit "C" and incorporated herein by this reference. [\[clause modified if multiple proposals, BAFO, etc. submitted\]](#)
- 6. Order of Control. Contractor shall carry out the Project described in Exhibit "B" to this Agreement for the price quoted in Exhibit "C". All work and services shall be performed according to and controlled by the terms and provisions of this Agreement and the exhibits attached hereto. In the event of any conflict between the contract documents, the following order of control shall prevail: MTD Master Agreement, Exhibit "A", Exhibit "B", Exhibit "C". [\[modify order & add or delete exhibits as needed\]](#)
- 7. Contract Price. Contractor shall carry out the Project for a fixed prices which is in accordance with Exhibit "C".
- 8. Payment. Contractor shall submit invoice to MTD in accordance with a progress payment schedule to be determined. Payment from MTD shall be made to Contractor no later than thirty (30) days after receipt of a valid invoice, which shall be sent to Thais Sayat via email to tsayat@sbmtd.gov and copy to ntillie@sbmtd.gov.
- 9. Taxes. MTD is exempt from the payment of Federal Excise and Transportation taxes. Unless specified otherwise in the Agreement, MTD is subject to applicable California Sales Tax for Santa Barbara County which shall have been included in the Contractor's proposal price and shall be included on the Contractor's invoice.
- 10. Project Schedule. [Contractor shall provide services for the three fiscal years ending June 30, 2026, 2027, and 2028, with two one-year options for the fiscal years ending June 30, 2029, and 2030.](#)
- 11. Delivery & Freight. Not applicable to this Agreement.
- 12. Title & Risk of Loss. Not applicable to this Agreement..

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

14. Defective, Damaged or Noncompliant Work. Any items, services, work or systems acquired pursuant to this Agreement found to be defective, damaged or non-compliant with the [Scope of Services](#) at the time of delivery or installation shall be replaced by the Contractor without additional cost to MTD. If the Contractor should fail to promptly comply with any order to replace or repair any defective items, services, work or systems, MTD shall have the authority to deduct the cost of such replacement or repair from any compensation due or to become due to the Contractor. Nothing in this section shall limit or restrict any warranty provisions of this Agreement or any exhibits hereto.

15. Acceptance. Not applicable to this Agreement.

16. Warranty. Not applicable to this Agreement.

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

18. Insurance.

a. Contractor's Insurance Representations to MTD.

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

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

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

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

b. Conditions Affecting All Insurance Required Herein.

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

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

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

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

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

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

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

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

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

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

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

c. Commercial General Liability Insurance.

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

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

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

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

iv. Required Endorsements.

- A. Additional Insured status as required in 18(b)(vii), above.
- B. Notice of Cancellation, Nonrenewal, or Material Reduction in Coverage, as required in 18(b)(vi), above.
- C. Personal Injury Liability: The personal injury contractual liability exclusion shall be deleted.
- D. Primary Liability, as required in 18(b)(ix), above.
- E. Waiver of Subrogation, as required in 18(b)(viii), above.

d. Auto Liability Insurance.

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

- ii. Form. Business Auto Form (at least as broad as an unmodified ISO CA 0001 or its equivalent).
 - iii. Amount of Insurance. Coverage shall be provided with a limit of not less than \$1,000,000, combined single limit.
 - iv. Required Endorsements.
 - A. Additional Insured status as required in 18(b)(vii), above.
 - B. Notice of Cancellation, Nonrenewal, or Material Reduction in Coverage, as required in 18(b)(vi), above.
 - C. Waiver of Subrogation, as required in 18(b)(viii), above.
 - e. Workers' Compensation/Employer's Liability Insurance.
 - i. Coverage. Such insurance shall cover liability arising out of Contractor's employment of workers and anyone for whom Contractor may be liable for workers' compensation claims. Workers' compensation insurance is required, and no "alternative" forms of insurance shall be permitted.
 - ii. Amount of Insurance. Coverage shall be provided with a limit of not less than:
 - A. Workers' Compensation: Statutory limits
 - B. Employer's Liability: \$1,000,000 each accident and disease.
 - iii. Required Endorsements.
 - A. Notice of Cancellation, Nonrenewal, or Material Reduction in Coverage, as required in 18(b)(vi), above.
 - B. Waiver of Subrogation, as required in 18(b)(viii), above.
 - f. Professional Errors & Omissions Liability Insurance.
 - i. Coverage. Such insurance shall cover claims alleged to arise out of the negligent performance of Contractor's professional services.
 - ii. Amount of Insurance. Coverage shall be provided with a limit of not less than \$1,000,000 annual aggregate.
 - g. Other Insurance. MTD shall have the right, exercisable in its sole judgment at any time by giving prior written notice thereof to Contractor, to require Contractor to increase the limit and coverage amount of any insurance Contractor is required to maintain pursuant to this Agreement to an amount that MTD may, in its sole judgment, deem reasonably sufficient; and purchase other insurance and/or endorsement in such amounts or types as MTD may reasonably require from time to time.
19. Bonding. Not applicable to this agreement.
20. Termination. For applicable terms, refer to Paragraph 21 (Termination) in *Federal Transit Administration: Contract Provisions* which is attached hereto as Exhibit "A".
21. Liquidated Damages. Not applicable to this agreement.
22. Infringement of Patents. Not applicable to this agreement.
23. Rights in Data. Not applicable to this agreement.
24. Indemnification. The Contractor shall, to the extent permitted by law protect, indemnify, defend, and hold MTD and its officers, employees and agents, including consultants, harmless from and against any and all liabilities, damages, claims, demands, liens, encumbrances, judgments, awards, losses, costs, expenses, and suits or actions or proceedings, including reasonable expenses, costs and attorneys' fees incurred by MTD and its officers, employees and agents, including consultants, in the defense, settlement or satisfaction thereof, for any injury, death, loss or damage to persons or property of any kind whatsoever, arising out of, or resulting from, the acts, errors or omissions of the Contractor, including acts, errors or omissions of its officers, employees, servants, agents, subcontractors and suppliers; and upon receipt of notice and if given authority, shall settle at its own expense or undertake at its own expense the defense of any such suit, action or proceeding, including appeals, against the MTD and its officers, employees and agents, including consultants, relating to such injury, death, loss or damage. Each party shall

promptly notify the other in writing of the notice or assertion of any claim, demand, lien, encumbrance, judgment, award, suit, action or other proceeding hereunder. The Contractor shall have sole charge and direction of the defense of such suit, action or proceeding. The MTD shall not make any admission which might be materially prejudicial to the Contractor unless the Contractor has failed to take over the conduct of any negotiations or defense within a reasonable time after receipt of the notice and authority above provided. The MTD shall at the request of the Contractor furnish to the Contractor all reasonable assistance that may be necessary for the purpose of defending such suit, action or proceeding, and shall be repaid all reasonable costs incurred in doing so. The MTD shall have the right to be represented therein by advisory counsel of its own selection at its own expense. The obligations of the Contractor under this clause shall not extend to circumstances where the injury, or death, or damages is caused solely by the negligent acts, errors or omissions of the MTD, its officers, employees, agents or consultants, including negligence in the preparation of the Contract documents, or the giving of directions or instructions with respect to the requirements of the Contract by written order.

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

MTD:

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

CONTRACTOR:

[insert authorized official name & title]
 [insert contractor name]
 [insert contractor street address]
 [insert contractor city, state & zip]
 [insert contractor email]

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

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

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

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

30. Disputes. This Agreement shall be construed and all disputes arising therefrom shall be settled in accordance with the laws of the State of California. Venue for any dispute arising under this Agreement shall be in Santa Barbara, California. Any controversy or claim arising out of or relating to this Agreement shall be resolved by binding arbitration before a single arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association (“AAA”) then pertaining (available at www.adr.org), except where those rules conflict with this provision, in which case this provision controls. Any court with jurisdiction shall enforce this clause and enter judgment on any award. The arbitrator shall be selected within twenty business days from commencement of the arbitration from the AAA’s National Roster of Arbitrators pursuant to agreement or through selection procedures administered by the AAA. Within 45 days of initiation of arbitration, the Parties shall reach agreement upon and

thereafter follow procedures, including reasonable limits on discovery, assuring that the arbitration will be concluded and the award rendered within no more than eight months from selection of the arbitrator or, failing agreement, procedures meeting such time limits will be designed by the AAA and adhered to by the Parties. The arbitration shall be held in Santa Barbara, California and the arbitrator shall apply the substantive law of California, except that the interpretation and enforcement of this arbitration provision shall be governed by the Federal Arbitration Act. Prior to commencement of arbitration, emergency relief is available from any court to avoid irreparable harm. THE ARBITRATOR SHALL NOT AWARD EITHER PARTY PUNITIVE, EXEMPLARY, MULTIPLIED OR CONSEQUENTIAL DAMAGES. Prior to commencement of arbitration, however, the Parties must attempt to mediate their dispute using a professional mediator from AAA, the CPR Institute for Dispute Resolution, or like organization selected by agreement or, absent agreement, through selection procedures administered by the AAA. Within a period of 45 days after the request for mediation, the Parties agree to convene with the mediator, with business representatives present, for at least one session to attempt to resolve the matter. In no event will mediation delay commencement of the arbitration for more than 45 days absent agreement of the Parties or interfere with the availability of emergency relief.

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

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

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

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

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

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

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

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

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

SANTA BARBARA MTD

[contractor name]

DO NOT FILL IN OR SIGN



Request for Qualifications for Financial Audit Services

**Attachment 4
Federal Transit Administration (FTA)
Contract Provisions**

Contact:

Valerie White
Purchasing Agent
Santa Barbara Metropolitan Transit District
805.963.3364 x244
550 Olive Street
Santa Barbara CA 93101
vwhite@sbmtd.gov
purchasing@sbmtd.gov
www.sbmtd.gov

FEDERAL TRANSIT ADMINISTRATION CONTRACT PROVISIONS

Financial Audit Services - Contractor Name

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1. **FLY AMERICA REQUIREMENTS (NOT APPLICABLE TO THIS CONTRACT)**
2. **BUY AMERICA REQUIREMENTS (NOT APPLICABLE TO THIS CONTRACT)**
3. **CHARTER BUS & SCHOOL BUS REQUIREMENTS (NOT APPLICABLE TO THIS CONTRACT)**
4. **CARGO PREFERENCE REQUIREMENTS (NOT APPLICABLE TO THIS CONTRACT)**
5. **SEISMIC SAFETY REQUIREMENTS (NOT APPLICABLE TO THIS CONTRACT)**
6. **ENERGY CONSERVATION REQUIREMENTS**

The Contractor agrees to comply with mandatory energy standards and policies of the state energy conservation plans issued in compliance with the Energy Policy and Conservation Act, as amended, 42 U.S.C. § 6321, et seq., and perform an energy assessment for any building constructed, reconstructed, or modified with federal assistance required under FTA regulations, "Requirements for Energy Assessments," 49 CFR Part 622, subpart C. The Contractor agrees to include the requirements of this section in all subcontracts at any tier for the performance of work under this contract.

7. **CLEAN AIR ACT AND FEDERAL WATER POLLUTION CONTROL ACT REQUIREMENTS**

The Contractor agrees to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. §§ 7401 – 7671q) and Federal Water Pollution Control Act, as amended, 33 U.S.C. §§ 1251 – 1388. Violations must be reported to the FTA and the Regional Office of the Environmental Protection Agency (EPA). The Contractor also agrees to include these requirements in each subcontract at any tier exceeding \$150,000 for the performance of work under this contract.

8. **BUS TESTING (NOT APPLICABLE TO THIS CONTRACT)**
9. **PRE-AWARD & POST-DELIVERY AUDIT REQUIREMENTS (NOT APPLICABLE TO THIS CONTRACT)**

10. **LOBBYING**

Pursuant to Byrd Anti-Lobbying Amendment (31 U.S.C. 1352)—Contractors that apply or bid for an award exceeding \$100,000 must file the required certification.

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

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

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

(c) The Contractor shall require that the language of this certification be included in the award documents for all subawards exceeding \$100,000 at all tiers (including subcontracts, subgrants, and contracts under

grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly. [Such disclosures are forwarded from tier to tier up to MTD.]

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

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

11. ACCESS TO RECORDS & REPORTS

(a) Access to Records: The Contractor agrees to provide MTD, the FTA Administrator, the Comptroller General of the United States or any of their authorized representatives access to any books, documents, papers and records of the Contractor which are directly pertinent to this contract for the purposes of making audits, examinations, excerpts and transcriptions. Contractor also agrees, pursuant to 49 CFR 633.17 to provide the FTA Administrator or his authorized representatives including any PMO Contractor access to Contractor's records and construction sites pertaining to a major capital project, defined at 49 U.S.C. 5302(a)1, which is receiving federal financial assistance through the programs described at 49 U.S.C. 5307, 5309 or 5311. The Contractor agrees to permit any of the foregoing parties to reproduce by any means whatsoever or to copy excerpts and transcriptions as reasonably needed; otherwise comply with 49 U.S.C. § 5325(g), and federal access to records requirements as set forth in the applicable U.S. DOT Common Rules.

(b) Access to Site: The Contractor agrees to permit the FTA to have access to the sites of performance of the contract and any Amendments thereto, and to make site visits as needed in compliance with the U.S. DOT Common Rules.

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

(e) The Contractor assures that each subcontractor, if any, at each tier, will agree to provide sufficient access to inspect and audit records and information, including such records and information MTD or Contractor may regard as confidential or proprietary related to this contract and any Amendments thereto, to the U.S. Secretary of Transportation or the Secretary's duly authorized representatives, to the Comptroller General of the United States, and the Comptroller General's duly authorized representatives, and to the Contractor and MTD.

12. FEDERAL CHANGES

The Contractor shall at all times comply with all applicable FTA regulations, policies, procedures and directives, including without limitation those listed directly or by reference in the Master Agreement between MTD and FTA, as they may be amended or promulgated from time to time during the term of this contract. Contractor's failure to so comply shall constitute a material breach of this contract. Applicable changes to those federal requirements will apply to each subcontract at any tier for the performance of work under this contract.

13. BONDING REQUIREMENTS (NOT APPLICABLE TO THIS CONTRACT)**14. [RESERVED]****15. RECYCLED PRODUCTS (NOT APPLICABLE TO THIS CONTRACT)****16. DAVIS-BACON & COPELAND ANTI-KICKBACK ACTS (NOT APPLICABLE TO THIS CONTRACT)****17. CONTRACT WORK HOURS & SAFETY STANDARDS ACT (NOT APPLICABLE TO THIS CONTRACT)****18. ACCESS REQUIREMENTS FOR PERSONS WITH DISABILITIES**

Contractor shall comply with 49 USC 5301(d), stating Federal policy that the elderly and persons with disabilities have the same rights as other persons to use mass transportation services and facilities and that special efforts shall be made in planning and designing those services and facilities to implement that policy. Contractor shall also comply with all applicable requirements of Sec. 504 of the Rehabilitation Act (1973), as amended, 29 USC 794, which prohibits discrimination on the basis of handicaps, and the Americans with Disabilities Act of 1990 (ADA), as amended, 42 USC 12101 et seq., which requires that accessible facilities and services be made available to persons with disabilities, including any subsequent amendments thereto.

19. NO GOVERNMENT OBLIGATIONS TO THIRD PARTIES

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

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

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

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

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

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

21. TERMINATION

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

(b) Termination for Default

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

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

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

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

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

22. GOVERNMENT-WIDE DEBARMENT & SUSPENSION

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

23. PRIVACY ACT (NOT APPLICABLE TO THIS CONTRACT)

24. CIVIL RIGHTS REQUIREMENTS

(a) Nondiscrimination: In accordance with Title VI of the Civil Rights Act, as amended, 42 U.S.C. § 2000d, section 303 of the Age Discrimination Act of 1975, as amended, 42 U.S.C. § 6102, section 202 of the Americans with Disabilities Act of 1990, 42 U.S.C. § 12132, and Federal transit law at 49 U.S.C. § 5332,

the Contractor agrees that it will not discriminate against any employee or applicant for employment because of race, color, religion, national origin, sex (including sexual orientation), disability, or age. In addition, the Contractor agrees to comply with applicable Federal implementing regulations and other implementing requirements FTA may issue.

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

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

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

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

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

25. BREACHES & DISPUTE RESOLUTION

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

26. PATENT & RIGHTS IN DATA (NOT APPLICABLE TO THIS CONTRACT)

27. TRANSIT EMPLOYEE PROTECTIVE AGREEMENTS (NOT APPLICABLE TO THIS CONTRACT)

28. DISADVANTAGED BUSINESS ENTERPRISE (DBE)

(a) This contract is subject to the requirements of Title 49, Code of Federal Regulations, Part 26, Participation by Disadvantaged Business Enterprises in Department of Transportation Financial Assistance Programs. The national goal for participation of Disadvantaged Business Enterprises (DBE) is 10%. MTD's overall goal for DBE participation is posted at <https://sbmtd.gov/about/doing-business/>. **A separate contract goal has not been established for this procurement.**

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

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

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

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

29. NOTIFICATION OF LEGAL MATTERS TO THE FTA

If a current or prospective legal matter that may affect the Federal Government emerges, the Contractor must promptly notify the FTA Chief Counsel and FTA Region 9 Chief Counsel.

(a) The types of legal matters that require notification include, but are not limited to, a major dispute, breach, default, litigation, or naming the Federal Government as a party to litigation or a legal disagreement in any forum for any reason.

(b) Matters that may affect the Federal Government include, but are not limited to, the Federal Government's interests in the Award funding this Agreement and any Amendments thereto, or the Federal Government's administration or enforcement of federal laws, regulations, and requirements.

(c) The Contractor must promptly notify the U.S. DOT Inspector General in addition to the FTA Region 9 Chief Counsel if the Contractor has knowledge of potential fraud, waste, or abuse occurring on a Project receiving assistance from FTA. The notification provision applies if a person has or may have submitted a false claim under the False Claims Act, 31 U.S.C. § 3729 et seq., or has or may have committed a criminal or civil violation of law pertaining to such matters as fraud, conflict of interest, bribery, gratuity, or similar misconduct involving federal assistance. Knowledge, as used in this paragraph, includes, but is not limited to, knowledge of a criminal or civil investigation by a Federal, state, or local law enforcement or other investigative agency, a criminal indictment or civil complaint, or probable cause that could support a criminal indictment, or any other credible information in the possession of the Contractor.

(d) The Contractor agrees to include this clause in each subcontract and any lower tier subcontracts financed in whole or in part with Federal assistance provided by the FTA under this Agreement.

30. INCORPORATION OF FEDERAL TRANSIT ADMINISTRATION (FTA) TERMS

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

31. DRUG & ALCOHOL TESTING (NOT APPLICABLE TO THIS CONTRACT)**32. INTELLIGENT TRANSPORTATION SYSTEM (ITS) (NOT APPLICABLE TO THIS CONTRACT)****33. BUILD AMERICA, BUY AMERICA ACT (NOT APPLICABLE TO THIS CONTRACT)****34. TELECOMMUNICATIONS AND VIDEO SURVEILLANCE SERVICES OR EQUIPMENT**

The prohibition on certain telecommunications and video surveillance services or equipment applies to all federally funded third-party contracts. MTD is prohibited from using federal funds to:

(1) Procure or obtain;

(2) Extend or renew a contract to procure or obtain; or

(3) Enter into a contract (or extend or renew a contract) to procure or obtain equipment, services, or systems that uses covered telecommunications equipment or services as a substantial or essential component of any system, or as critical technology as part of any system. As described in Public Law 115-232, section 889, covered telecommunications equipment is telecommunications equipment produced by Huawei Technologies Company or ZTE Corporation (or any subsidiary or affiliate of such entities).

(i) For the purpose of public safety, security of government facilities, physical security surveillance of critical infrastructure, and other national security purposes, video surveillance and telecommunications equipment produced by Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, or Dahua Technology Company (or any subsidiary or affiliate of such entities).

(ii) Telecommunications or video surveillance services provided by such entities or using such equipment.

(iii) Telecommunications or video surveillance equipment or services produced or provided by an entity that the Secretary of Defense, in consultation with the Director of the National Intelligence or the Director of the Federal Bureau of Investigation, reasonably believes to be an entity owned or controlled by, or otherwise connected to, the government of a covered foreign country.

35. SAFE OPERATION OF MOTOR VEHICLES

Seat Belt Use: The Contractor agrees to implement Executive Order No. 13043, "Increasing Seat Belt Use in the United States," April 16, 1997, 23 U.S.C. § 402 note, (62 Fed. Reg. 19217), by: (1) Adopting and promoting on-the-job seat belt use policies and programs for its employees and other personnel that operate company-owned vehicles, company-rented vehicles, or personally operated vehicles; and (2) Including a "Seat Belt Use" provision in each third-party agreement related to this Contract.

Distracted Driving, Including Text Messaging While Driving: The Contractor agrees to implement (1) Executive Order No. 13513, "Federal Leadership on Reducing Text Messaging While Driving," October 1, 2009, 23 U.S.C. § 402 note, (74 Fed. Reg. 51225); (2) U.S. DOT Order 3902.10, "Text Messaging While Driving," December 30, 2009; and (3) The following U.S. DOT Special Provision pertaining to Distracted Driving:

(i) **Safety.** The Contractor agrees to adopt and enforce workplace safety policies to decrease crashes caused by distracted drivers, including policies to ban text messaging while using an electronic device supplied by an employer, and driving a vehicle the driver owns or rents, a vehicle Contractor owns, leases, or rents, or a privately-owned vehicle when on official business in connection with the Award, or when performing any work for or on behalf of the Award;

(ii) **Recipient Size.** The Contractor agrees to conduct workplace safety initiatives in a manner commensurate with its size, such as establishing new rules and programs to prohibit text messaging while driving, re-evaluating the existing programs to prohibit text messaging while driving, and providing education, awareness, and other outreach to employees about the safety risks associated with texting while driving; and

(iii) Extension of Provision. The Contractor agrees to include a Distracted Driving, Including Text Messaging While Driving in its third-party agreements, and encourage its third-party participants to comply with this Special Provision, and include this Special Provision in each third party subagreement at each tier supported with federal assistance.



Santa Barbara Metropolitan Transit District
Single Audit Report
Year Ended June 30, 2025
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**

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), as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2026.

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.



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.

Vasquez & Company LLP

**Glendale, California
March 20, 2026**



**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**

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, 2025. 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, 2025.

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



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, 2025 and have issued our report thereon dated March 20, 2026, 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
March 20, 2026**

**Santa Barbara Metropolitan Transit District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025**

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Contract Number</u>	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
MAJOR PROGRAM				
<u>U.S. Department of Transportation</u>				
<u>Federal Transit Administration</u>				
Direct Programs:				
Federal Transit Program Cluster				
<i>Federal Transit Formula Grants - Operating</i>				
FFY 2021 5307 American Rescue Plan Act (ARPA) Operating Assistance	20.507	CA-2021-076-00	\$ -	\$ 8,594,882
FFY 2022 Section 5307 Operating Assistance and Terminal 2 Rehabilitation	20.507	CA-2022-169-00	-	2,235,144
FFY 2021 5307 Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) Operating and Capital Assistance	20.507	CA-2021-100-00	-	92,168
		Total ALN 20.507	-	10,922,194
<i>Federal Transit Formula Grants - Capital</i>				
FFY 2021 & FFY 2022 Section 5339(a) Overhaul of Revenue Vehicles	20.526	CA-2023-051-00	-	14,846
		Total ALN 20.526	-	14,846
		Total Federal Transit Program Cluster	-	10,937,040
TOTAL FEDERAL EXPENDITURES			\$ -	\$ 10,937,040

See accompanying notes to schedule of expenditures of federal awards.

Santa Barbara Metropolitan Transit District
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2025

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, 2025. 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 elected not 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, 2025.

NOTE 4 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Grant expenditure reports for the year ended June 30, 2025, 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, 2025.

**Santa Barbara Metropolitan Transit District
Schedule of Findings and Questioned Costs
Year ended June 30, 2025**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP:	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 with respect to major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	No

Identification of Major Programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Cluster:
20.256	Federal Grants – Operating
	Federal Grants – Capital

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

**Santa Barbara Metropolitan Transit District
Schedule of Findings and Questioned Costs
Year ended June 30, 2025**

Section II – Financial Statement Findings

There were no financial statement findings noted during the fiscal year ended June 30, 2025.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings noted during the fiscal year ended June 30, 2025.

**Santa Barbara Metropolitan Transit District
Summary Schedule of Prior Audit Findings
Year ended June 30, 2025**

There were no findings reported during the fiscal year ended June 30, 2024.



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**Santa Barbara Metropolitan Transit District
Basic Financial Statements and
Required Supplementary Information
*As of and for the Years Ended June 30, 2025 and 2024
with Independent Auditor's Report***

**Santa Barbara Metropolitan Transit District
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FINANCIAL SECTION



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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 basic financial statements of the Santa Barbara Metropolitan Transit District (the District), as of and for the years ended June 30, 2025 and 2024, and the related notes to the basic financial statements which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2025 and 2024, the changes in its financial position, and its cash flows 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.

Emphasis of Matter – Implementation of GASB Statement No. 101

As discussed in Note 3 to the financial statements, during the fiscal year ended June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The implementation of this standard required the District to revise its accounting policies related to the recognition and measurement of compensated absences and resulted in a restatement of the fiscal year 2024 financial statements to reflect the cumulative effect of the change. Our opinion is not modified with respect to this matter.



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.

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.



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 17 and the Schedules of Changes in the Net Other Postemployment Benefits (OPEB) Liability and Related Ratios on page 52, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (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 March 20, 2026, 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
March 20, 2026**

**Santa Barbara Metropolitan Transit District
Management's Discussion and Analysis (Unaudited)
Years ended June 30, 2025 and 2024**

This *Management's Discussion and Analysis for the Fiscal Year 2024-25* 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 Governmental 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 District experienced a rather normal and customary Fiscal year in 2025. Although service and ridership levels remain below pre-pandemic figures, the payroll as of June 30, 2025, included 133 operators for the first time since 2021. Additionally, key positions in Human Resources, Planning, and Administration have been filled. Price increases leveled out, with the inflation rates hovering around 3%. The impact of tariffs had begun to show particularly with increases in bus parts costs. Even though tariffs were in effect for the latter five months of the year, the increases in bus parts was 7.5% over the year.

The expense budget assumptions included cost levels slightly below inflationary levels, conservative increases in collection of fares, slight changes to the service plan, as well as filling several vacancies. Overall, the District's financial position was better than anticipated, with a deficit for the period of \$2.8 million – \$2.6 million less than budgeted. Total Revenues were approximately 10% more than budgeted and in particular Grant and Subsidy revenue. Sales tax receipts were higher than anticipated by 2%, and expenses ended up being 7% less than anticipated, due to staff vacancies and the 18-month fixed price fuel contract. As in previous years, the operating deficit was balanced with federal relief funding.

**Santa Barbara Metropolitan Transit District
Management's Discussion and Analysis (Unaudited)
Years ended June 30, 2025 and 2024**

Ridership per Revenue Hour has returned to 94% of pre-pandemic levels. The restoration of some previously reduced services was made possible by the recruitment of operators through targeted strategies; The restoration of Service Hours for the Santa Barbara City College (SBCC) and University of California, Santa Barbara (UCSB) Express services between the schools, restatement/reconfiguration of the Isla Vista Shuttle Service, the launch of a Microtransit pilot program in the City of Goleta and a portion of Isla Vista, a reconfigured Downtown-Waterfront Shuttle temporarily reinstated since the Pandemic, restructuring some services for increased on-time performance. Federal COVID-19 relief funds have continued to mitigate the fiscal impacts of a financial imbalance.

The *Net Position* of the District at June 30, 2025, which measures the amount that assets and deferred outflow of resources exceed liabilities and deferred inflows of resources, was \$56.3M, up 3% for the year. This change is based on the capital activities and the deferred inflows and outflows^[1] for the year. The receipt of America Rescue Plan Act of 2021 (ARPA) operating assistance funding balanced the operating budget. Without additional funding, the District would have incurred a \$2.6M operating deficit, that would have reduced the District's net position. This *Management's Discussion and Analysis for Fiscal Year 24-25* will further review this outcome as well as discuss the District's future financial outlook.

^[1] Deferred inflows and outflows reflect adjustments to the District's retiree health benefit liabilities.

**Santa Barbara Metropolitan Transit District
Management's Discussion and Analysis (Unaudited)
Years ended June 30, 2025 and 2024**

Statements of Net Position

	<u>2025</u>	<u>2024</u>	<u>Change (%)</u>
	(thousands of dollars)		
Assets			
Current assets	\$ 18,766	\$ 19,653	-4.51%
Non-current assets, excluding capital assets	3,916	3,594	8.96%
Capital assets	<u>46,270</u>	<u>44,763</u>	3.37%
Total assets	<u>68,952</u>	<u>68,010</u>	1.39%
Deferred outflows of resources	<u>431</u>	<u>567</u>	-23.99%
Total assets and deferred outflows of resources	<u>\$ 69,383</u>	<u>\$ 68,577</u>	1.18%
Liabilities			
Current liabilities	\$ 3,647	\$ 4,187	-12.90%
Non-current liabilities	<u>8,478</u>	<u>8,641</u>	-1.89%
Total liabilities	<u>12,125</u>	<u>12,828</u>	-5.48%
Deferred inflows of resources	<u>949</u>	<u>1,109</u>	-14.43%
Net Position			
Net investment in capital assets	45,739	43,886	4.22%
Unrestricted	<u>10,570</u>	<u>10,754</u>	-1.71%
Total net position	<u>56,309</u>	<u>54,640</u>	3.05%
Total liabilities, deferred inflows of resources and net position	<u>\$ 69,383</u>	<u>\$ 68,577</u>	1.18%

The \$1.7 million increase in the District's *Net Position* was the result of increase in the District's assets, namely the investment into capital for the projects previously mentioned. The table above is a simplified version of the *Statements of Net Position* on page 18 of this audit report.

Assets – The \$69.4 million in *Total Assets & Deferred Outflows* on June 30, 2025, represents a 1.2% increase from the prior year. *Current Assets*, comprised mainly of cash, receivables, and inventory declined 4.5% from the FY23-24. Use of Cash for the Capital Projects and Operations accounted for the \$0.7M decrease. *Non-Current Assets*, excluding capital assets, increased \$0.3 million as advance grant funds received from UCSB cash restricted for future capital improvements in the amount of \$0.1 million along with \$0.7 million in Low Carbon Transit Operations Program (LCTOP) funds allocated for the Microtransit Program, net of uses of restricted funds for the Microtransit project and Downtown Waterfront Electric Shuttle of \$0.4 million. These numbers include the interest earned in the funds.

**Santa Barbara Metropolitan Transit District
Management's Discussion and Analysis (Unaudited)
Years ended June 30, 2025 and 2024**

The \$46.3 million value of the District's Capital Assets (net) represented a \$1.5 million increase from the start of FY24-25. This is reflective of the Capital Projects in process, net of asset disposals and depreciation. A description of the year's asset acquisitions is found later in this review.

Liabilities – In FY24-25, the District experienced a 5.5% decrease in Total Liabilities to \$12.1 million from \$12.8 million. The decrease was driven by several factors. Current Liabilities, which include accounts payable and liabilities due within one year, saw a notable decrease. Accounts Payable decreased by \$0.2 million, primarily due to Terminal 1 & Terminal 2 construction projects nearing completion. Non-Current Liabilities saw a 2% decrease, primarily due to the decrease in lease liability and accrued payables. Long-term Capital Lease Liability reduced by \$0.3 million, as another year of the lease was paid down. The OPEB Liability was reduced by \$0.01 million, following 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 3% to \$56.3 million from \$54.6 million in FY23-24. The first component is Net Investment in Capital Assets of \$45.7 million, representing 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 \$10.6 million, which is the same as the prior year. Changes to Unrestricted Net Position correspond to operating surpluses and deficits. 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.

**Santa Barbara Metropolitan Transit District
Management's Discussion and Analysis (Unaudited)
Years ended June 30, 2025 and 2024**

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.

	<u>FY2025</u>	<u>FY2024</u>	<u>Change %</u>
	(thousands of dollars)		
Revenues			
Fare revenue	\$ 4,980	\$ 5,022	-1%
LTF sales tax revenue	10,257	10,280	0%
Federal operating grants	8,687	6,951	25%
Measure A sales tax revenue	2,908	3,039	-4%
State for Good Repair grants	551	-	0%
Other operating subsidies	1,016	1,395	-27%
Property tax revenue	1,871	1,783	5%
Non-transportation income	737	685	8%
Total operating revenues	<u>31,007</u>	<u>29,155</u>	4%
STA capital revenue	1,227	350	251%
Federal capital grants	2,250	8,121	-72%
Measure A capital revenue	1,156	802	44%
Other state capital funds	2,173	3,967	-45%
Total capital revenue	<u>6,806</u>	<u>13,240</u>	-49%
Total revenue	<u>37,813</u>	<u>42,395</u>	-12%
Expenses			
Route operations	18,165	16,861	8%
Vehicle maintenance	6,174	6,122	1%
Passenger accommodations	1,924	1,909	1%
General overhead	4,426	4,278	3%
Total operating expenses before depreciation and amortization	<u>30,689</u>	29,170	5%
Depreciation and amortization	5,433	4,835	12%
Total operating	<u>36,122</u>	<u>34,005</u>	6%
Loss on disposal of assets	(25)	35	-171%
Other post-employment benefit adjustment	47	126	-63%
Total non-operating expenses	<u>22</u>	<u>161</u>	-86%
Total expenses	<u>36,144</u>	<u>34,166</u>	4%
Change in net position	1,669	8,229	-79%
Net position, beginning of year	54,640	46,411	18%
Net position, end of year	<u>\$ 56,309</u>	<u>\$ 54,640</u>	3%

* Standard financial statement format modified for purposes of discussion.

**Santa Barbara Metropolitan Transit District
Management's Discussion and Analysis (Unaudited)
Years ended June 30, 2025 and 2024**

Operating Revenue – The collection of fares remained fairly constant during the past fiscal year. As mentioned previously, ridership per Revenue Hour has returned to 94% of pre-pandemic levels. Fare Revenues were \$0.150 million under the budget in FY24-25, due to the delayed start of Microtransit and 10-Ride bus passes short from the collections of the FY 23-24 by approximately \$0.042 million. Grants and appropriations represented 84% of total operating revenue during the period.

Transportation Development Act (TDA) Sales Tax Revenue (Local Transportation Fund, (LTF) Sales Tax Revenue fell by \$0.03 million from the FY23-24. The *Federal Grants* amounts decreased to match the appropriate level for grant-funded Capital projects this year: Terminal 1 and Terminal 2 Construction. *Measure A Sales Tax Revenue* decreased due to decreased sales-tax related spending. *Non-Transportation Income* represents increased advertising and interest income. The District benefitted from higher interest rates on cash and investments due to the Federal Reserve inflationary control rate hikes.

LTF Sales Tax Revenue provided \$10.3 million in sales tax subsidies to support operations. *Measure A Sales Tax Revenue*, of \$3.0 million derived from locally generated sales tax receipts, performed \$0.063 million or 2% over budget, and surpassed the total collected in FY23-24. As the collection of sales tax revenue lags, the growth was as a result of payments made from the prior fiscal year for collections and reconciliations of sales taxes by the State of California. Consumer sales, tax-related spending was down during the fiscal year.

Federal Operating Grants from the Federal Transit Administration provided \$8.7 million which was comprised of Section 5307 formula operating assistance, and \$3 million in ARPA funds to cover the operating shortfall. Another \$0.01 million was reimbursed from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) for the Contactless Payment program. 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, including State for Good Repair grant substantially increased relative to FY23-24. Growth of 13% to \$1.5 million as service was added compensation for restoring the reduced services to subsidized Lines 12x/24x and Line 28 due to Driver shortages at the end of FY21-22, which led to additional Operating Subsidy. Additionally, the Microtransit Program and the Downtown Waterfront Electric Shuttle are paid from grants within this category.

Property Tax Revenue of \$1.9 million reflected a 4% growth from the previous fiscal year, with the continued escalation in real property values. The proceeds surpassed the budgeted amount by \$0.07 million or 3%. To date, this source of revenue has remained impervious to the ill effects of any effects on the local economy.

Capital Revenue – The year's \$6.8 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 FY24-25 acquisitions.

**Santa Barbara Metropolitan Transit District
Management's Discussion and Analysis (Unaudited)
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These included State Transit Assistance, Federal Capital Grants, Measure A, and other state capital funds. State Transit Assistance (STA) funds, from diesel fuel sales tax and vehicle license fees, contributed \$1.2 million; Federal Capital Grants totaled \$2.25 million, for the Terminal 2 Recommissioning Construction. The State of California, Transit Inter-City Rail Capital (TIRCP) Program proceeds were utilized for the Terminal 2 Recommissioning as well as procurement of Transit Priority Signal infrastructure. The local sales tax support from Measure A was \$1.1 million. The remainder was filled with various local grants for specialized projects.

Operating Expenses – The District expended \$31.0 million for the provision of transit service during FY24-25. Overall Expenses increased 5% commensurate with increases in Staffing Costs and filling vacant staff positions. Wages were increased at July 1, 2024, and at January 1, 2025 for non-represented staff, based on a Board approved Collective Bargaining Agreement from July 1, 2022 through June 30, 2025 and a Staff Compensation Study, October 2022. *Vehicle Maintenance* has sustained expenses due to a leveling out of fuel costs. A fixed contract at the rate of \$2.7625 was in effect from July 1, 2024 through December 31, 2024. A Public Solicitation, Invitation to Bid (IFB) produced a fixed term contract placed into effect at January 1, 2025 through June 30, 2026, at the rate of \$2.49 per gallon; a 9% reduction in fuel pricing. Lastly, the Other Post- Employment Benefits (OPEB) Liability Adjustment was decreased as a result of an actuarial audit review.

Service Level – In FY21-22, due to a shortage of bus operators, services were reduced by 12.9%. Even though ridership on a Revenue Hour basis attained 94% of pre-pandemic levels, the service level was 7% less than the budget plan. Until FY23-24, vacancies in operator positions would not permit service restoration. In August 2023, Line 28 (8 hours of 18 min headways on weekdays) service was increased due to high demand. It is UCSB funded. Line 19x New Caltrans/SBCAG funded service, between Carpinteria and Santa Barbara City College serving also the Eastside/Westside of Santa Barbara, was initiated. Lines 6/11/23/25 adjustments Routing change and minor schedule adjustments were made for service efficiencies. In August 2024, an increase of 3,869 Service Level hours included the restoration of Service Hours for the Santa Barbara City College (SBCC) and University of California, Santa Barbara (UCSB) Express services between the schools, restatement/reconfiguration of the Isla Vista Shuttle Service, the launch of a Microtransit pilot program in the City of Goleta and a portion of Isla Vista, a reconfigured Downtown-Waterfront Shuttle temporarily reinstated since the Pandemic, and restructuring some services for increased on-time performance. Operating expenses were \$2.3 million (7%) less than expected over a number of categories such as driver wages and benefits, fuel, lubricants, tire leasing, and other variable costs.

Employment Level – Since FY20-21, SBMTD experienced a sizeable loss of drivers from attrition and retirements exacerbated by the DMV's suspension of new driver testing during the pandemic. Even with intensive recruitment efforts, the District 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, while there was some service restoration, services were not fully restored in FY24-25. At the end of the fiscal year, there were 133 operators on staff. Most of the other District vacancies were filled during fiscal year 24-25, however, the positions were budgeted from the beginning of the fiscal year and hirings after July 1, 2024, were the reason these costs are under the budgeted expense.

Hiring & Training – Costs increased \$0.1 million over the FY23-24; due to the number of operators hired during the year. At 133 Operators, this a great improvement from the less than 110 from the past four years.

**Santa Barbara Metropolitan Transit District
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Risk & Safety – Supervisor costs pertaining to Risk & Safety have increased 13% over the past year. While insurance coverage costs have increased, they were offset by a reduction in Professional Services and a \$0.5 million reduction in incident payouts, including prior year reserves, relative to FY23-24. The predominant factors were lower claim reserves for the current year and a downward adjustment in reserves for events occurring prior to FY24-25.

Bus Fuel – The renewable diesel contract at July 1, 2024, the start of the fiscal year, was \$2.7625/gallon. A Fixed rate Renewable Diesel Contract was entered into effective January 1, 2025 through June 30, 2026 for \$2.49/gallon. This aided in keeping Vehicle Maintenance costs in check.

Non-Operating Expenses – Non-operating costs are comprised of transactions not directly related to the District's normal business activities. The largest element is *Capital Asset Depreciation*, which represents the allocation of an asset's cost over its expected useful life. *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, the actuarial based annual OPEB adjustment is not included in the budget variance table on the following page.^[1] The operating deficit of \$2.8 million was lower than the budget projection of a \$5.4 million shortfall. The outcome was achieved through greater revenue and fewer expenses than estimated. As discussed in the comparison to prior year results, a reduced staffing level, and growth in sales tax and federal operating subsidies contributed to the majority of the smaller deficit. FTA grant funds resulted in an additional \$3.0 million of FTA operating revenue for the year, over the budgeted amount, a level which is not expected to continue. As previously mentioned, the CARES Act Grant funding covered the shortfall.

[1] OPEB expense is not included in the budget considered by the Board.

**Santa Barbara Metropolitan Transit District
Management's Discussion and Analysis (Unaudited)
Years ended June 30, 2025 and 2024**

FY 24-25 Operating Budget Variance*
(thousand of dollars)

	Actual	Budget	Variance
Revenues			
Fare revenue	\$ 4,980	\$ 5,133	-3%
LTF sales tax revenue	10,257	10,240	0%
Federal operating assistance	8,687 *	5,194	67%
Measure A sales tax revenue	2,908	2,845	2%
Other operating subsidies	1,016	1,875	-46%
Property tax revenue	1,871	1,801	4%
Non-transportation income	737	589	25%
Total revenues	30,456	27,677	10%
Expenses			
Route operations	18,165	18,368	-1%
Vehicle maintenance	6,174	7,234	-15%
Passenger accommodations	1,924	2,409	-20%
General overhead	4,426	5,074	-13%
Total expenses	30,689	33,085	-7%
Operating income/(deficit)	\$ (233)	\$ (5,408)	

* Annual OPEB adjustment excluded for budget analysis.

Operating Revenue Budget – Fare Revenue collection was below the projection for the year by \$0.150 million. The ridership per Revenue Hour grew to 94% of pre-pandemic levels from the previous fiscal year. Conservatively, the fare income was budgeted at nearly what the actual collection was from the prior year. Reductions in the sales of 10-Ride Passes and the delay of the Microtransit Service start were the reasons for the shortfall. *LTF Sales Tax Revenue* and *Measure A Sales Tax Revenue* topped the budget by 2%. Due to the leveling off of retail sales and inflation holding there was very little increase at all in the current year payment. The increase was attributable to the previous year's payment collection and reconciliation at the State. *Federal Operating Assistance* of \$5.1 million was anticipated, however additional Federal support to the District covered the Operating deficit of \$2.8M. Mentioned earlier, *Property Tax Revenue* growth continued during the year, leading to a 3% increase from the budgeted amount. Housing prices continued to rise as demand outpaced inventory.

Operating Expense Budget – Total operating expenses of \$31 million were 7% less than estimated. Again, the staff vacancy level was the greatest factor in the budget variance, just as it was for the prior year differential. In this case, the 174,626 revenue hours provided were 3% below the 180,561 hours budgeted. Thus, the various direct costs of providing transit were held below forecasted levels. Additionally, fuel cost savings were \$0.385 million or 19% less than budgeted. The District had faced a labor shortage as many in the Transit Industry and locally. Vacancies were 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.

**Santa Barbara Metropolitan Transit District
Management's Discussion and Analysis (Unaudited)
Years ended June 30, 2025 and 2024**

Capital Assets

Capital assets with a value of \$6.5 million were acquired in FY24-25. A breakdown by asset category follows below.

**Capital Acquisitions
(thousand of dollars)**

<u>Asset Category</u>	<u>FY2025</u>	<u>FY2024</u>
Revenue vehicles	\$ 1,290	\$ 10,693
Passenger facilities	-	26
Property development	-	53
Non-revenue equipment	173	108
IT and security systems	238	16
Operating facilities	4,788	1,943
Intelligent transportation systems	38	257
Total capital acquisitions	<u>\$ 6,527</u>	<u>\$ 13,096</u>

Revenue Vehicle capital outlays included the acquisition of five (5) Gasoline Powered Ford Transit 350 EL Vans for the Microtransit program. These vehicles will ensure the Microtransit Services can begin in Goleta with the future plan of expansion to Carpinteria. Bus refurbishments totaling approximately \$.880M for fleet repair are included in this line item as well. The 3-Position Bicycle Racks were installed across the fleet.

Passenger Facility improvements consist of the renovation of three (3) Bus Stops, all in Goleta. The refurbishment took place at two (2) Bus Stops at the Santa Barbara Airport and one (1) on Hollister Avenue near the Santa Barbara Foodbank. The structures were reinforced, re-roofed, painted, benches replaced, and solar powered security lighting installed. The facilities will be completed in FY25-26.

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 FY24-25, two (2) Service Vehicles that had reached their useful lives were replaced with 2025 Toyota Camry sedans. IT Systems & Support replaced laptop computers for various departments with the sunset of Windows 7. The Shop acquired four (4) Column Lifts and replaced two of the Bay Doors for the Maintenance building. Remaining funds covered some small repairs and improvements at Terminal 1.

Operating Facilities capital investments included the Terminal 2, Phase I Construction which will be completed at the beginning of FY25-26. Also provided for in this category are the Terminal 2 Phase II Planning and Construction drawings in progress, the completion of the Charge Ready Bridge Project electrification improvements at Terminal 1 in preparation for the electric vehicle charging Project, known as Haley Canopy Zero Emissions Vehicle (ZEV) Improvement Project.

The bulk of *Intelligent Transportation Systems* outlays was for the Upgrade to the Clever Devices on premises Computer Aided Dispatch (CAD)/Automated Vehicle Locator (AVL) for the Transportation system. There were some additional Contactless Fare Payment System Equipment enhancements.

Other Postemployment Benefits (OPEB)

The District provides retiree health benefits to employees meeting certain employment criteria. For a comprehensive review of the Other Post-Employment Benefits (OPEB), see Note 16 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 FY24-25, the OPEB liability was \$2.8 million, a 4% increase from the prior year. The reason for the higher liability comes as a result of projected healthcare rate increases.

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 \$2.7 million liabilities by the trust funds, the net OPEB liability was \$0.9 million, as shown on the *Statements of Net Position*.

Financial Outlook

Continued interest in restored and additional public transit service has been 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 appears to be slowing and expenses will need to respond accordingly. Additional sources of revenue are being explored.

Residual effects of the COVID-19 pandemic are still impacting the District. Even though ridership per Revenue Hour on Santa Barbara County's South-Central Coast has returned to 94% of Pre-Pandemic levels, there continues to be challenges around financial planning with increased costs and revenue levels remaining the same or dropping. A \$4.9 million operating deficit is projected for FY25-26. Costs have increased in labor and supplies. The inflation rate appears to be within 3%. 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 a framework upon which to build upon.

Federal Relief Funding – The District has been allocated federal economic relief funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan Act of 2021 (ARPA). 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, 2025, is \$22 million. The funds provide support for all South Coast public transit operations and include allocations to Easy Lift for paratransit services as needed. During FY 24-25, the use of \$3 million of the relief funding was required to defray pandemic-related losses and health and safety improvements.

Fare Revenue – In the Fall of 2024, the District embarked upon a Fare and Service Fee Equity Analysis, which led to a Fare increase; the first in over 14 years. The base Fare increased from \$1.75 to \$2.50. It is anticipated that collection on buses and pass sales will improve the District's revenue in the future, however, the increase is not nearly enough to make up the Federal Small Transit Intensive Cities (STIC) funding loss of \$3M year at the current service level. Fare contracts with SBCC and UCSB for free student boarding are in effect and have been updated and ratified. Ridership per Revenue Hour is at 94% of the Pre-Pandemic level. Cash fares and pass sales are up to 70% of pre-pandemic levels, which is higher than estimated. The reduction in the service level impacts fares (while also decreasing expenses).

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A Short Range Transit Plan Study was completed in FY 22-23 in order to assist in gauging the community's needs and recommendations for fulfilling that obligation. Of course, the 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 was consistently above 25%. A better-than-expected fare collection took place in FY23-24. For FY24-25, the farebox ratio was projected at 18% based on the budget, although a better outcome than the budget, was experienced. A condition for receipt of sales tax provided under the state's 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 \$5.6 million in FTA Section 5307 Urbanized Area Formula Program in FY24-25 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 no longer includes 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 \$5.6M 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 \$3.0 million, previously allocated to capital.

Adjustments in FTA funding from the census results took effect in 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, District 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 FY24-25 STA allocation was \$3.6 million, while \$1.0 M was spent for capital projects during the period. This increased the STA balance held by the County to \$17.0 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 expiring at the end of FY24-25. Negotiations began shortly before the fiscal year ended.

CARB ICT & ZEB Goal – In 2018, the California Air Resources Board adopted the Innovative Clean Transit (ICT) regulation requiring a 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 nine (9) emission-free replacement buses received and an additional sixteen (16) on order, with an increase in charging infrastructure capacity that will soon be completed.

**Santa Barbara Metropolitan Transit District
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EV Bus Acquisitions – With the receipt of Nine (9) New Flyer 40' Heavy Duty Zero Emission Buses, the District currently has 23 Electric buses in its fleet. An additional Sixteen (16) 40-ft. Gillig Zero Emission, battery-electric buses are on order, with delivery expected beginning in the first quarter of 2026 and continuing into mid-2026. MTD has secured approximately \$9.5 million in funds for these buses; the State of California's Transit and Intercity Rail Capital Program (TIRCP) is funding \$8.3M, the State of California Cal Trans, 101 Solutions for Congested Corridors Program is funding the other 8 vehicles and charging equipment. Additional funding will be covered through a number of state and local programs. MTD was awarded grant funding for an additional two (2) 40' ZEVs from the FTA's 5339© Low and No-Emission Grants program, yet to be ordered. MTD has also ordered three electric vans for the new microtransit service funded through TIRCP.

Haley Canopy Zero (ZEV) Infrastructure Improvements – The project consists of installing ChargePoint charging equipment that MTD has already procured. The charging equipment is comprised of (4) Power Blocks (DC fast charger cabinets) with (8) dispensers (6 dual-connector and 2 single-connector) for a total of (14) connectors. In addition, there are (3) single-connector Level 2 chargers. Electrical infrastructure upgrades and modifications are needed to accommodate the new charging equipment. There is also some structural and civil work required, including new concrete housekeeping pads for the Power Blocks and support framing to affix some of the charging dispensers to an existing canopy building. Both wings of the electric vehicle canopy, where the charging equipment will be deployed, and a separate structure in the transit yard, require lighting upgrades, including new LED fixtures and control panels. The project also requires painting and new gutters/downspouts at designated areas of existing canopies and a fueling structure.

Also included in the scope is the installation of a mobile (cellular) signal repeater system at the electric vehicle canopies. An SCE Charge Ready Heavy-Duty program grant provided 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 is scheduled to start construction near the end of the 1st Quarter 2026, with completion estimated in the third quarter of FY 2026. 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 engaged the services of CalStart and the City of Santa Barbara to assist in developing the plan. The plan was completed in FY23-24 and will be utilized as a model for the future infrastructure for electrification.

Overpass Terminal Recommissioning – Construction 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. Construction began in March 2024 and is expected to be completed in September 2025. The Design for Phase II is in process and will be submitted to the City of Goleta for approval in the Fall of 2025.

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 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.

FINANCIAL STATEMENTS

**Santa Barbara Metropolitan Transit District
Statements of Net Position**

	June 30	
	2025	2024 Restated
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and investments	\$ 4,892,876	\$ 7,286,583
Grants receivable	12,111,962	10,623,256
Other receivable	26,192	113,091
Materials and supplies inventories	1,144,932	1,054,757
Other current assets	589,655	574,748
Total current assets	18,765,617	19,652,435
Noncurrent assets		
Cash and investments restricted for capital support	3,916,319	3,594,217
Capital assets:		
Capital assets - not being depreciated / amortized	14,025,832	11,384,340
Capital assets - being depreciated / amortized, net	32,244,015	33,378,820
Total noncurrent assets	50,186,166	48,357,377
Total assets	68,951,783	68,009,812
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to other postemployment benefits (OPEB)	431,316	567,484
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 69,383,099	\$ 68,577,296
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities		
Accounts payable	\$ 991,774	\$ 1,180,264
Accrued payroll	344,144	284,757
Accrued expenses	167,066	741,112
Unearned revenue	306,538	247,564
Claims liability - current portion	654,244	691,641
Compensated absences payable - current portion	848,664	700,759
Lease liability - current portion	320,602	301,977
Subscription liability - current portion	14,195	39,520
Total current liabilities	3,647,227	4,187,594
Noncurrent liabilities		
Compensated absences payable, net of current portion	587,343	871,670
Advances on grants	3,916,319	3,594,217
Claims liability, net of current portion	2,848,746	2,693,080
Net OPEB liability	929,690	945,919
Lease liability, net of current portion	195,933	516,535
Subscription liability, net of current portion	-	19,523
Total noncurrent liabilities	8,478,031	8,640,944
Total liabilities	12,125,258	12,828,538
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to other postemployment benefits (OPEB)	948,805	1,108,985
NET POSITION		
Net investment in capital assets	45,739,117	43,885,605
Unrestricted	10,569,919	10,754,168
Total net position	56,309,036	54,639,773
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 69,383,099	\$ 68,577,296

See notes to financial statements.

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

	Years ended June 30	
	2025	2024 Restated
OPERATING REVENUES		
Passenger fares	\$ 4,980,048	\$ 5,021,718
OPERATING EXPENSES		
Route operations	18,165,039	16,860,593
Vehicle maintenance	6,174,337	6,121,961
Passenger accommodations	1,923,988	1,908,606
General overhead	4,426,081	4,277,383
Postemployment health care benefits	46,542	126,142
Total operating expenses before depreciation and amortization	30,735,987	29,294,685
Depreciation and amortization	5,433,029	4,835,019
Total operating expenses	36,169,016	34,129,704
OPERATING LOSS	(31,188,968)	(29,107,986)
NONOPERATING REVENUES (EXPENSES)		
Non-transportation revenue, including interest, advertising, rent, and miscellaneous	736,344	684,647
Taxes levied by Santa Barbara County for the District	1,870,614	1,783,390
Transportation Development Act funding and allocations	10,256,754	10,280,260
Federal grants	8,687,051	6,950,715
Measure A grants	2,908,470	3,038,658
State for Good Repair grants	550,161	-
Miscellaneous grants	1,015,365	1,395,432
Gain / (Loss) on disposal of assets, net of proceeds	24,699	(34,655)
Interest income / (expense)	3,367	(2,690)
Nonoperating revenues, net	26,052,825	24,095,757
CAPITAL CONTRIBUTIONS		
Capital grants:		
Federal Transit Administration	2,249,990	8,121,409
State Transit Assistance	1,226,658	350,444
Measure A	1,155,475	802,145
Miscellaneous	2,173,283	3,966,790
Total capital contributions	6,805,406	13,240,788
CHANGE IN NET POSITION	1,669,263	8,228,559
NET POSITION		
Beginning of year	54,639,773	46,411,214
End of year	\$ 56,309,036	\$ 54,639,773

See notes to financial statements.

**Santa Barbara Metropolitan Transit District
Statements of Expenses**

	Years ended June 30	
	2025	2024 Restated
LABOR		
Operators' wages	\$ 7,655,173	\$ 7,225,165
Other salaries and wages	5,908,073	5,867,031
Total labor	13,563,246	13,092,196
FRINGE BENEFITS		
Payroll taxes	1,204,063	1,132,797
Retirement plans	1,451,157	1,373,310
Health and welfare	3,934,878	3,572,530
Workers compensation	833,552	540,927
Sick pay	317,295	202,540
Holiday pay	476,351	448,235
Vacation pay	857,769	939,530
Other paid absences	184,008	168,474
Uniform and tool allowances	39,306	40,997
Total fringe benefits	9,298,379	8,419,340
SERVICES		
Professional and technical including directors' fees	507,362	457,558
Outside services	103,627	74,310
Contract maintenance services	988,548	982,145
Promotion and printing	130,491	127,625
Total services	1,730,028	1,641,638
MATERIALS AND SUPPLIES		
Fuels and lubricants	1,792,742	2,216,499
Tires and tubes	153,633	148,291
Bus parts	691,567	629,739
Other materials and supplies	269,372	255,898
Electric bus power	134,331	79,015
Total materials and supplies	3,041,645	3,329,442
UTILITIES AND TELEPHONE	304,390	289,460
CASUALTY AND LIABILITY COSTS	1,260,234	1,039,775
PURCHASED TRANSPORTATION	1,249,881	1,263,658
MISCELLANEOUS		
Dues and subscriptions	50,847	51,321
Travel, meetings and training	53,366	37,674
Purchased media	1,804	-
Other miscellaneous expenses	182,167	130,181
Total miscellaneous	288,184	219,176
Total expenses before depreciation and amortization	30,735,987	29,294,685
DEPRECIATION AND AMORTIZATION	5,433,029	4,835,019
TOTAL EXPENSES	\$ 36,169,016	\$ 34,129,704

See notes to financial statements.

**Santa Barbara Metropolitan Transit District
Statements of Cash Flows**

	Years ended June 30	
	2025	2024
Cash flows from operating activities		
Receipts from transit customers	\$ 5,125,921	\$ 5,174,883
Payments to suppliers and vendors	(8,623,711)	(7,458,003)
Payments to employees/benefits	<u>(22,978,901)</u>	<u>(21,183,332)</u>
Net cash used in operating activities	<u>(26,476,691)</u>	<u>(23,466,452)</u>
Cash flows from noncapital financing activities		
Operating grants received	21,798,122	19,265,088
Non-transportation revenue, including advertising, rental, and miscellaneous	456,384	407,334
Taxes levied by Santa Barbara County	<u>1,870,614</u>	<u>1,783,390</u>
Net cash provided by noncapital financing activities	<u>24,125,120</u>	<u>21,455,812</u>
Cash flows from capital and related financing activities		
Acquisition of property and equipment	(6,941,848)	(13,191,423)
Proceeds from sale of assets	26,832	15,897
Payments made on leased vehicles	(301,977)	(284,434)
Payments made on SBITAs	(41,482)	(47,538)
State and local grant advances	322,102	794,502
Federal, state, and local capital grants received	<u>6,936,379</u>	<u>14,817,081</u>
Net cash provided by in capital and related financing activities	<u>6</u>	<u>2,104,085</u>
Cash flows from investing activity		
Interest received	<u>279,960</u>	<u>277,314</u>
Net cash provided by investing activity	<u>279,960</u>	<u>277,314</u>
Change in cash and investments	(2,071,605)	370,759
Cash and investments, beginning of year	<u>10,880,800</u>	<u>10,510,041</u>
Cash and investments, end of year	<u>\$ 8,809,195</u>	<u>\$ 10,880,800</u>
Cash and investments	\$ 4,892,876	\$ 7,286,583
Cash and investments restricted for capital support	<u>3,916,319</u>	<u>3,594,217</u>
Total cash and investments	<u>\$ 8,809,195</u>	<u>\$ 10,880,800</u>

See notes to financial statements.

**Santa Barbara Metropolitan Transit District
Statements of Cash Flows (Continued)**

	Years ended June 30	
	2025	2024
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (31,188,968)	\$ (29,107,986)
Depreciation and amortization	5,433,029	4,835,019
Changes in:		
Other receivable, excluding grants	145,666	152,958
Materials and supplies inventories	(90,175)	56,162
Other current assets	(14,907)	(146,537)
Accounts payable and accrued expenses, net of capital acquisitions	(702,942)	1,165,903
Compensated absences payable	(136,422)	219,637
Claims liability	118,269	(681,329)
OPEB liabilities and related deferrals	(40,241)	39,721
Net cash used in operating activities	\$ (26,476,691)	\$ (23,466,452)

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 of 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.

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.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Certain cash balances are restricted as to use due to grant agreements and other contractual or legal requirements associated with the District's transit operations and capital programs. Restricted cash is maintained in segregated accounts and may be used only for purposes specified in the applicable agreements.

	2025	2024
LCTOP	\$ 3,067,717	\$ 2,575,624
UCSB	848,602	721,807
Other Capital	-	296,786
	\$ 3,916,319	\$ 3,594,217

Inventories

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

Capital Assets

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

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

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

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right-to-Use Lease Assets

The District has recorded the right to use lease assets as a result of implementing GASB Statement No. 87, *Leases*. The right-to-use lease assets are initially measured at an amount equal to the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use lease assets are amortized on a straight-line basis over the term of the related leases or the useful life of the underlying assets, whichever is shorter.

Subscription IT Assets

The District has recorded subscription assets as a result of implementing GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The subscription assets are initially measured at an amount equal to the related subscription liability plus payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, if applicable, and capitalizable initial implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the subscription term.

A subscription asset is amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. The amortization of the subscription asset is reported as an outflow of resources (for example, amortization expense), which may be combined with depreciation expense related to other capital assets for financial reporting purposes. Amortization should begin at the commencement of the subscription term.

The subscription asset is reported along with other capital assets and the subscription liability is reported on the Statement of Net Position.

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.

In 2025, the District implemented GASB Statements No. 101, *Compensated Absences*. In accordance with GASB Statement No 101, a liability is recorded for unused vacation, sick, and similar compensatory leave balances, since the employees' entitlement to these balances accumulates, is attributable to services already rendered, and it is more likely than not that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

Liabilities for compensated absences are measured using the pay rates in effect as of the financial statement date, including salary-related payments that are directly and incrementally associated with leave payments.

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 workers' 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 California Public Employees' Retirement System (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.

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 report 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."

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 disclosures. 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.

New Governmental Accounting Standards Board (GASB) Pronouncement

During the fiscal year ended June 30, 2025, the District implemented the following new GASB Standards:

GASB Statement No. 101

In June 2022, GASB issued Statement No. 101, *Compensated Absences*, which establishes updated recognition and measurement guidance for leave benefits such as vacation, sick leave, paid time off, and other compensated absences. The objective of this Statement is to improve consistency and comparability in financial reporting by clarifying when and how liabilities for compensated absences should be recognized. The implementation of this statement resulted in an adjustment to the compensated absences liability reported by the District in fiscal year 2024 by \$204,856. The June 30, 2024 financial statements of the District were restated to reflect this adjustment. See Notes 3 and 8.

GASB Statement No. 102

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to disclose vulnerabilities arising from significant concentrations and certain constraints that could impact their ability to acquire resources or manage spending. The objective of this Statement is to improve transparency and provide users of financial statements with more relevant information about potential risks that could substantially affect a government's operations or financial position. The implementation of this statement did not have a significant impact on the District's financial statements.

GASB has released the following statements, which will be implemented in future financial statements, if applicable.

GASB Statement No. 103 – Financial Reporting Model Improvements. Effective Date: The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The District will implement this statement when and where applicable.

**Santa Barbara Metropolitan Transit District
Notes to the Basic Financial Statements
Years Ended June 30, 2025 and 2024**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

GASB Statement No. 104 – *Disclosure of Certain Assets*. Effective Date: For fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The District will implement this statement when and where applicable.

GASB Statement No. 105 – *Subsequent Events*. Effective Date: For fiscal years beginning after June 15, 2026, and all reporting periods thereafter. The District will implement this statement when and where applicable.

NOTE 3 PRIOR YEAR RESTATEMENT

During fiscal year 2025, the District implemented GASB Statement No. 101, *Compensated Absences*, which establishes revised recognition and measurement criteria for compensated absences. The implementation required the District to recalculate its compensated absences liability under the updated guidance. As a result, certain account balances previously reported in fiscal year 2024 were restated. The effect of the restatement is summarized in the table below:

Account	June 30, 2024 (As Previously Reported)	Adjustment (GASB 101)	June 30, 2024 (As Restated)
Compensated absences payable	\$ 1,367,573	\$ 204,856	\$ 1,572,429
Change in net position	8,433,415	(204,856)	8,228,559
Net position	54,844,629	(204,856)	54,639,773

NOTE 4 CASH AND INVESTMENTS

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

	2025	2024
Statement of Net Position:		
Cash and investments	\$ 4,892,876	\$ 7,286,583
Cash and investments restricted for capital support	3,916,319	3,594,217
Total cash and investments	\$ 8,809,195	\$ 10,880,800

Cash and investments as of June 30, 2025 and 2024 consist of the following:

	2025	2024
Cash on hand	\$ 41,090	\$ 41,090
Deposits with financial institutions	4,218,899	4,547,090
Investments - LAIF	4,549,206	6,292,620
Total cash and investments	\$ 8,809,195	\$ 10,880,800

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

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

Demand Deposits

As of June 30, 2025 and 2024, the carrying amounts of the demand deposits were \$4,218,899 and \$4,547,090, respectively, and the bank balances were \$4,452,215 and \$4,793,115, 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 Depository Insurance Corporation (FDIC). The District has \$250,000 that is insured by the FDIC as of June 30, 2025. The remaining portion of the deposit with financial institution at June 30, 2025, of \$4,202,215, 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, 2025 and 2024 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.

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

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.

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 due to changes 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 \$4,549,206 and \$6,292,620 invested in LAIF, at June 30, 2025 and 2024, respectively. They were invested in the pooled investment funds in structured notes and asset-backed securities at 3.81% and 3.00% at June 30, 2025 and 2024, respectively. The LAIF fair value factors of 1.001198310 and 0.996316042 at June 30, 2025 and 2024, respectively, were 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.

**Santa Barbara Metropolitan Transit District
Notes to the Basic Financial Statements
Years Ended June 30, 2025 and 2024**

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

The District's investments in LAIF totaling \$4,549,206 and \$6,292,620 as of June 30, 2025 and 2024, respectively, are measured at amortized cost, which approximates fair value.

NOTE 5 GRANTS RECEIVABLES

Grants receivable at June 30, 2025 and 2024 are summarized as follows:

	2025	2024
Federal Transit Administration	\$ 5,701,809	\$ 7,178,802
Santa Barbara County - Measure A	2,219,687	1,272,240
SBCAG	1,293,158	-
State of California - STA	929,872	-
Caltrans DRMT	588,385	-
State of Good Repair	550,161	-
Santa Barbara County - TIRCP	-	450,951
State of California - LTF	828,890	781,263
Central Coast Community Energy 3CE	-	400,000
Volkswagon Mitigation Trust Fund	-	540,000
	\$ 12,111,962	\$ 10,623,256
Other receivables are as follows:		
Trade receivables	\$ 26,192	\$ 113,091

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 Santa Barbara County. Measure A is administered by the Santa Barbara County Association of Governments.

Santa Barbara County Association of Governments (SBCAG)

SBCAG is the regional transportation planning agency for Santa Barbara County, California. It serves as a joint powers authority made up of the county and its cities.

NOTE 5 GRANTS RECEIVABLES (CONTINUED)

State Transit Assistance (STA)

The State Transit Assistance program was 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.

California Department of Transportation – Division of Rail and Mass Transportation (Caltrans DRMT)

Caltrans DRMT is the Caltrans division that manages rail and public transit funding, planning, and oversight in California.

Santa Barbara County – Transit and Inter City Rail Program

Santa Barbara County Association of Governments was the representative award agent for the State of California, Transit and Inter City Rail Program (TIRCP) grant in 2022. TIRCP is a program that funds transformative projects to reduce greenhouse gas emissions, vehicle miles traveled, and congestion in California's transit and rail systems and is administered by CalSTA and Caltrans.

Local Transportation Fund (LTF)

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

Central Coast Community Energy 3CE

Central Coast Community Energy (3CE), a Joint Powers Authority, provides affordable, reliable, and clean electricity while working to support regional climate action through a portfolio of Energy Programs in the transportation, building, and agricultural electrification sectors, and expanded their Electric Bus Program offering to provide enhanced funding for fleet electrification initiatives at public school districts, agricultural transport worker services, and transit agencies within the 3CE service territory.

Volkswagen Mitigation Trust Fund

The Volkswagen (VW) Mitigation Trust was established to fully mitigate the diesel NOx emissions caused by VW's illegal actions. The mitigation plan for California includes a variety of grant categories available to replace diesel equipment operating in the state of California.

State of California, California Department of Transportation, State of Good Repair

The program is a California initiative under SB 1 that provides dedicated funding to maintain, rehabilitate, and modernize public transit infrastructure and vehicles.

Santa Barbara Metropolitan Transit District
Notes to the Basic Financial Statements
Years Ended June 30, 2025 and 2024

NOTE 6 CAPITAL ASSETS

Changes in capital assets during the fiscal years ended June 30, 2025 and 2024 are as follows:

<u>June 30, 2025</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals/ Retirements/ Adjustments</u>	<u>End of Year</u>
Capital assets not depreciated					
Land	\$ 5,596,296	\$ -	\$ -	\$ -	\$ 5,596,296
Work in progress	<u>5,788,044</u>	<u>5,904,741</u>	<u>(3,263,106)</u>	<u>(143)</u>	<u>8,429,536</u>
Total capital assets, not being depreciated	<u>11,384,340</u>	<u>5,904,741</u>	<u>(3,263,106)</u>	<u>(143)</u>	<u>14,025,832</u>
Capital assets being depreciated					
Buildings and improvements	19,069,848	50,431	-	-	19,120,279
Buses	60,983,397	532,295	2,781,277	(596,850)	63,700,119
Right-of-use assets					
Leases	2,174,252	-	-	-	2,174,252
SBITAs	248,535	239,466	-	-	488,001
Other equipment	<u>6,335,774</u>	<u>214,915</u>	<u>481,829</u>	<u>(55,169)</u>	<u>6,977,349</u>
Total capital assets, being depreciated	<u>88,811,806</u>	<u>1,037,107</u>	<u>3,263,106</u>	<u>(652,019)</u>	<u>92,460,000</u>
Accumulated depreciation	(53,802,326)	(5,069,003)	-	650,030	(58,221,299)
Accumulated amortization	<u>(1,630,660)</u>	<u>(364,026)</u>	<u>-</u>	<u>-</u>	<u>(1,994,686)</u>
Less total accumulated depreciation and amortization	<u>(55,432,986)</u>	<u>(5,433,029)</u>	<u>-</u>	<u>650,030</u>	<u>(60,215,985)</u>
Total capital assets, being depreciated, net	<u>33,378,820</u>	<u>(4,395,922)</u>	<u>3,263,106</u>	<u>(1,989)</u>	<u>32,244,015</u>
Total capital assets, net	<u>\$ 44,763,160</u>	<u>\$ 1,508,819</u>	<u>\$ -</u>	<u>\$ (2,132)</u>	<u>\$ 46,269,847</u>
<u>June 30, 2024</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements/ Adjustments</u>	<u>End of Year</u>
Capital assets not depreciated					
Land	\$ 5,596,296	\$ -	\$ -	\$ -	\$ 5,596,296
Work in progress	<u>4,074,698</u>	<u>12,676,284</u>	<u>(10,962,938)</u>	<u>-</u>	<u>5,788,044</u>
Total capital assets, not being depreciated	<u>9,670,994</u>	<u>12,676,284</u>	<u>(10,962,938)</u>	<u>-</u>	<u>11,384,340</u>
Capital assets being depreciated					
Buildings and improvements	19,036,681	57,249	-	(24,082)	19,069,848
Buses	53,015,506	339,990	10,540,297	(2,912,396)	60,983,397
Right-of-use assets					
Leases	2,174,252	-	-	-	2,174,252
SBITAs	189,917	58,618	-	-	248,535
Other equipment	<u>5,927,654</u>	<u>117,900</u>	<u>422,641</u>	<u>(132,421)</u>	<u>6,335,774</u>
Total capital assets, being depreciated	<u>80,344,010</u>	<u>573,757</u>	<u>10,962,938</u>	<u>(3,068,899)</u>	<u>88,811,806</u>
Accumulated depreciation	(52,335,630)	(4,485,043)	-	3,018,347	(53,802,326)
Accumulated amortization	<u>(1,280,684)</u>	<u>(349,976)</u>	<u>-</u>	<u>-</u>	<u>(1,630,660)</u>
Less total accumulated depreciation and amortization	<u>(53,616,314)</u>	<u>(4,835,019)</u>	<u>-</u>	<u>3,018,347</u>	<u>(55,432,986)</u>
Total capital assets, being depreciated, net	<u>26,727,696</u>	<u>(4,261,262)</u>	<u>10,962,938</u>	<u>(50,552)</u>	<u>33,378,820</u>
Total capital assets, net	<u>\$ 36,398,690</u>	<u>\$ 8,415,022</u>	<u>\$ -</u>	<u>\$ (50,552)</u>	<u>\$ 44,763,160</u>

NOTE 6 CAPITAL ASSETS (CONTINUED)

Capital asset depreciation expense for the fiscal years ended June 30, 2025 and 2024 were \$5,069,003 and \$4,485,043, respectively.

Capital asset amortization for the fiscal years ended June 30, 2025 and 2024 were \$364,026 and \$349,976, respectively.

NOTE 7 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District subscribes to different software that expires on various dates through July 2028. These subscriptions include options to renew at the District's discretion.

During the fiscal year ended June 30, 2024, 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, 2025 and 2024, amounted to \$237,245 and \$90,024 and \$14,195 and \$59,043, respectively.

Subscription amortization expense is recognized on a straight-line basis over the policy period. Total subscription amortization expense was \$92,245 and \$78,195 was reported under depreciation and amortization in the Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2025 and 2024, respectively.

For the years ended June 30, 2025 and 2024, the District paid \$41,482 and \$47,538, respectively, which are included in the measurement of the subscription liability.

The weighted average remaining subscription period for the District's SBITA is 1 year. 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, 2025 are as follows:

Year Ending June 30	Amount
2026	\$ 20,500
Total undiscounted subscription payments	20,500
Less: effect of discounting	(6,305)
Total subscription liability	\$ 14,195

Santa Barbara Metropolitan Transit District
Notes to the Basic Financial Statements
Years Ended June 30, 2025 and 2024

NOTE 8 LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the years ended June 30, 2025 and 2024:

June 30, 2025

Type	Balance July 1, 2024 (Restated)	Additions	Reductions	Balance June 30, 2025	Amounts Due Within One Year
Lease liability	\$ 818,512	\$ -	(301,977)	\$ 516,535	\$ 320,602
Compensated absences	1,572,429	112,620	(249,042)	1,436,007	848,664
Total	<u>\$ 2,390,941</u>	<u>\$ 112,620</u>	<u>\$ (551,019)</u>	<u>\$ 1,952,542</u>	<u>\$ 1,169,266</u>

June 30, 2024

Type	Balance July 1, 2023 (Restated)	Additions	Reductions	Balance June 30, 2024 (Restated)	Amounts Due Within One Year
Lease liability	\$ 1,102,946	\$ -	\$ (284,434)	\$ 818,512	\$ 301,977
Compensated absences	1,352,792	273,048	(53,411)	1,572,429	700,759
Total	<u>\$ 2,455,738</u>	<u>\$ 273,048</u>	<u>\$ (337,845)</u>	<u>\$ 2,390,941</u>	<u>\$ 1,002,736</u>

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. These benefits are recognized as liabilities when the leave is attributable to services already rendered, accumulates and carries forward to future periods, and is more likely than not to be used or otherwise liquidated. Accrued compensated absences for vacation and sick leave as of June 30, 2025 and 2024 are as follows:

	2025	2024 Restated
Vacation leave	\$ 1,168,549	\$ 1,229,412
Sick leave	267,458	343,017
Total accrued compensated absences	<u>\$ 1,436,007</u>	<u>\$ 1,572,429</u>

Lease Liability

The District entered into a lease agreement with Build Your Dreams (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.

Santa Barbara Metropolitan Transit District
Notes to the Basic Financial Statements
Years Ended June 30, 2025 and 2024

NOTE 8 LONG-TERM OBLIGATIONS (CONTINUED)

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
2026	\$ 320,602	\$ 22,271
2027	195,933	4,078
	\$ 516,535	\$ 26,349

At June 30, 2025 and 2024, the cost of the assets under the liability was \$2,174,252 and the related accumulated depreciation and amortization were \$1,743,930 and \$1,472,149 as of June 30, 2025 and 2024, respectively.

NOTE 9 NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets consisted of the following as of June 30, 2025 and 2024:

	2025	2024
Net investment in capital assets:		
Capital assets - not being depreciated	\$ 14,025,832	\$ 11,384,340
Capital assets, net - being depreciated	32,244,015	33,378,820
Unspent debt proceeds		
Due in one year:		
SBITA payable	(14,195)	(39,520)
Lease liability	(320,602)	(301,977)
Due more than one year:		
SBITA payable	-	(19,523)
Lease liability	(195,933)	(516,535)
Total restricted from debt proceeds \$	45,739,117	43,885,605

NOTE 10 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, 2025 and 2024 were as follows:

	2025	2024
Federal Transit Administration	\$ 2,249,990	\$ 8,121,409
State Transit Assistance	1,226,658	350,444
Measure A	1,155,475	802,145
Miscellaneous	2,173,283	3,966,790
Total capital contributions	\$ <u>6,805,406</u>	\$ <u>13,240,788</u>

Santa Barbara Metropolitan Transit District
Notes to the Basic Financial Statements
Years Ended June 30, 2025 and 2024

NOTE 11 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, 2025 and 2024, the District's farebox ratio was 28.2% and 29.2%, respectively, as calculated below:

	2025	2024 (Restated)
Farebox revenue	\$ 4,980,048	\$ 5,021,718
Measure A	2,908,470	3,038,658
Miscellaneous revenues	736,344	684,647
Total revenues	\$ 8,624,862	\$ 8,745,023
Operating expenses	\$ 36,169,016	34,129,704
Add (deduct) adjustments:		
Depreciation and amortization expense	(5,340,784)	(4,756,825)
Pension expense (GASB 68 adjustment)	16,229	872,512
Vehicle lease expense	(301,977)	(284,434)
Net operating expenses	\$ 30,542,484	\$ 29,960,957
Fare box ratio	28.2%	29.2%
Target ratio	20.0%	20.0%

Depreciation and amortization are exclusive of any SBITA amortization, as these are not considered capital assets for TDA purposes.

During fiscal year 2024-2025 and fiscal year 2023-2024, the District is in compliance with the provisions of PUC Section 99268.2.

TDA funding and usage for the fiscal years ended June 30, 2025 and 2024 are as follows:

	2025	2024
Funding		
Local Transportation Fund (SB 325)	\$ 10,256,754	\$ 10,280,260
State Transit Assistance Fund (SB 620)	1,226,658	350,444
	\$ 11,483,412	\$ 10,630,704
Usage		
Operations	\$ 10,256,754	\$ 10,280,260
Capital projects	1,226,658	350,444
	\$ 11,483,412	\$ 10,630,704

**Santa Barbara Metropolitan Transit District
Notes to the Basic Financial Statements
Years Ended June 30, 2025 and 2024**

NOTE 12 FEDERAL GRANTS AND REIMBURSEMENTS

Federal grants and reimbursements for the fiscal years ended June 30, 2025 and 2024 are as follows:

	2025	2024
Operating grants	\$ 8,687,051	\$ 6,950,715
Capital grants	2,249,990	8,121,409
Total	\$ 10,937,041	\$ 15,072,124

NOTE 13 RETIREMENT PLANS

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

Employee Group	Plan Names	Retirement Plan Expense	
		2025	2024
Union	Teamsters Union	\$ 1,116,042	\$ 1,106,331
Non-Union Deferral Plan	Profit-Sharing and Salary Deferral	335,115	266,979
Total		\$ 1,451,157	\$ 1,373,310

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, 2025 and 2024:

	2025	2024
Required work hour contribution (up to 173.33 hours per month)	\$ 3.76	\$ 3.70
Total pension hours	296,852	281,046
Accrued pension	\$ 93,451	\$ 91,287
	2025	2024
<u>Union</u>		
Employees Covered	169	168
<u>Non-union</u>		
Payroll	\$ 3,585,876	\$ 3,325,329
District Contributions	358,985	332,533
Employee Contributions	293,807	289,387

NOTE 13 RETIREMENT PLANS (CONTINUED)

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 2024 and 2023, 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. In the event an employer withdraws from the Plan, the employer's withdrawal liability is based on the employer's share of the unfunded vested benefits of the multiemployer Plan.

The period of coverage for the existing collective bargaining agreement between the District and Teamsters Union-Local 186 is July 1, 2022, through June 30, 2025. In 2025 and 2024, there were 169 and 168 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 2025 and 2024, 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 2025 and 2024, the pension payable was \$93,451 and \$91,287, 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 2025 were based upon a payroll of \$3,589,847 for non-union employees. For the year ended June 30, 2025, the District contributed \$358,985 (10% of covered payroll) and covered employees contributed \$293,807.

The District's contributions for fiscal year 2024 were based upon a payroll of \$3,325,329 for non-union employees. For the year ended June 30, 2024, the District contributed \$332,533 (10% of covered payroll) and covered employees contributed \$289,387.

NOTE 14 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, 2025 to March 31, 2026	\$250,000
April 1, 2024 to March 31, 2025	\$250,000
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

The District has elected to self-insure its obligations for workers' compensation claims. On January 1, 2005, the District joined Public Transit Interconnectivity and Rail System Management (PRISM), formerly known as California State Association of Counties (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 1, 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:

	2025	2024
Claims liability - beginning of year	\$ 3,384,721	\$ 4,066,050
Claims and changes in estimates	148,143	(5,944)
Actual claim payments	(29,874)	(675,385)
Claims liability - end of year	\$ 3,502,990	\$ 3,384,721

NOTE 15 COMMITMENTS AND CONTINGENCIES

Paratransit Service – Easy Lift

The District entered into an agreement with Easy Lift Transportation, effective July 1, 2024, through June 30, 2027, with extension periods of up to five (5) years, through June 30, 2029, to provide an annual subsidy for paratransit services. The first-year compensation was fixed at \$1,169,519. Upon July 1 of any subsequent year, the agreement remains in effect, and following the annual compensation shall be adjusted by a percentage equal to the change in the annual Consumer Price Index (CPI) reported in January immediately preceding the date of the extension year. In no event shall any such adjustment be less than zero (0) or greater than five (5) percent. The sum so calculated shall constitute the new base subsidy. The CPI to be used shall be in the US. Department of Labor Consumer Price Index for all urban consumers, all items, for Los Angeles-Long Beach-Anaheim, CA (1982-84 = 100). Provisions are included for a bonus subsidy if Easy Lift determines it necessary to increase the number of revenue hours for the Americans with Disabilities Act of 1990 (ADA) paratransit service to reduce service denials and/or meet demand.

If, for any reason, Easy Lift fails to provide the required ADA paratransit service, the District would remain 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.

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, 2025 and 2024. 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 16 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 June 30, 2023, the following current and former employees were covered by the benefit terms of the OPEB Plan:

Active employees	98
Inactive employees of beneficiaries currently receiving benefits	39
Total	<u>137</u>

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, 2025 and 2024, the District has made \$86,421 and \$86,710 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 retiree health benefit payouts. As of July 1, 2020, the District elected not to seek reimbursement from the Trust and continues on a pay-as-you-go basis.

**Santa Barbara Metropolitan Transit District
Notes to the Basic Financial Statements
Years Ended June 30, 2025 and 2024**

NOTE 16 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)

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

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The following actuarial methods and assumptions were used:

Reporting Year	2025	2024	
Valuation date	June 30, 2023	June 30, 2023	July 1, 2021
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022
Actuarial assumptions:			
Discount rate	6.10%	6.10%	6.10%
Inflation	2.50%	2.50%	3.00%
Salary increase	2.50%	2.50%	2.50%
Investment rate of return	6.10%	6.10%	6.10%
Healthcare cost trend rates:			
Medicare advantage	5.50% for 2024, decreasing ratably to 4.00% for 2070 and later years	6.00% for 2023, decreasing ratably to 4.00% for 2070 and later years	5.75% for 2022, decreasing ratably to 4.5% for 2029 and later years
Medicare supplement	4.50% for 2024, static through 2029 and 4.00 % for 2030 and later years	4.50% for 2023, static through 2029 and 4.00 % for 2030 and later years	3.00% for 2022, static through 2029 and later years
Dental	10% for 2024, static through 2070 and later years	3.00% for 2023, static through 2070 and later years	4.00% for 2022, 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 June 30, 2023 valuation were based on the results of an actuarial plan experience study for the period of July 1, 2022 – June 30, 2023.

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.

NOTE 16 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

2025

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (1 - 10 Years)</u>
Global equity	34%	4.80%
Fixed income	41%	1.80%
Treasury inflation-protected securities	5%	1.60%
Real estate investment trusts	17%	3.70%
Commodities	3%	1.90%
Total	100%	

2024

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (1 - 10 Years)</u>
Global equity	34%	4.80%
Fixed income	41%	1.80%
Treasury inflation-protected securities	5%	1.60%
Real estate investment trusts	17%	3.70%
Commodities	3%	1.90%
Total	100%	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.10% as of June 30, 2023 valuation date. The rate is based on the long-term expected rate of return for CERBT Strategy 2, determined by CalPERS.

Santa Barbara Metropolitan Transit District
Notes to the Basic Financial Statements
Years Ended June 30, 2025 and 2024

NOTE 16 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)

Changes in the Net OPEB Liability

The changes in the net OPEB liability for the years ended June 30, 2025 and 2024 are as follows:

	Total OPEB Liability (a)	(Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2024	\$ 2,685,676	\$ 1,739,757	\$ 945,919
Changes recognized for the fiscal year:			
Service cost	48,786	-	48,786
Interest on the total OPEB liability	164,205	-	164,205
Differences between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Benefit payments	(86,421)	(86,421)	-
Contributions from the employer	-	86,421	(86,421)
Net investment income	-	143,359	(143,359)
Administrative expense	-	(560)	560
Net changes	<u>126,570</u>	<u>142,799</u>	<u>(16,229)</u>
Balance at June 30, 2025 (Based on June 30, 2024 Measurement Date)	<u>\$ 2,812,246</u>	<u>\$ 1,882,556</u>	<u>\$ 929,690</u>
		Increase (Decrease)	
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2023	\$ 3,499,296	\$ 1,680,865	\$ 1,818,431
Changes recognized for the fiscal year:			
Service cost	67,975	-	67,975
Interest on the total OPEB liability	214,998	-	214,998
Differences between expected and actual experience	(550,510)	-	(550,510)
Change of assumptions	(459,373)	-	(459,373)
Benefit payments	(86,710)	(86,710)	-
Contributions from the employer	-	86,710	(86,710)
Net investment income	-	59,374	(59,374)
Administrative expense	-	(482)	482
Net Changes	<u>(813,620)</u>	<u>58,892</u>	<u>(872,512)</u>
Balance at June 30, 2024 (Based on June 30, 2023 Measurement Date)	<u>\$ 2,685,676</u>	<u>\$ 1,739,757</u>	<u>\$ 945,919</u>

**Santa Barbara Metropolitan Transit District
Notes to the Basic Financial Statements
Years Ended June 30, 2025 and 2024**

NOTE 16 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, as of June 30, 2025 and 2024.

<u>2025</u>	<u>1% Decrease (5.10%)</u>	<u>Current Rate (6.10%)</u>	<u>1% Increase (7.10%)</u>
Total OPEB liability	\$ 3,152,739	\$ 2,812,246	\$ 2,522,193
Plan fiduciary net position	1,882,556	1,882,556	1,882,556
Net OPEB liability	<u>\$ 1,270,183</u>	<u>\$ 929,690</u>	<u>\$ 639,637</u>
<u>2024</u>	<u>1% Decrease (5.10%)</u>	<u>Current Rate (6.10%)</u>	<u>1% Increase (7.10%)</u>
Total OPEB liability	\$ 3,020,586	\$ 2,685,676	\$ 2,400,848
Plan fiduciary net position	1,739,757	1,739,757	1,739,757
Net OPEB liability	<u>\$ 1,280,829</u>	<u>\$ 945,919</u>	<u>\$ 661,091</u>

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, 2025 and 2024.

<u>2025</u>	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 2,770,263	\$ 2,812,246	\$ 2,828,202
Plan fiduciary net position	1,882,556	1,882,556	1,882,556
Net OPEB liability	<u>\$ 887,707</u>	<u>\$ 929,690</u>	<u>\$ 945,646</u>
<u>2024</u>	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 2,646,892	\$ 2,685,676	\$ 2,700,474
Plan fiduciary net position	1,739,757	1,739,757	1,739,757
Net OPEB liability	<u>\$ 907,135</u>	<u>\$ 945,919</u>	<u>\$ 960,717</u>

NOTE 16 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)

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 expenses.

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

For the fiscal years ended June 30, 2025 and 2024, the District recognized OPEB expense of \$45,895 and \$126,142, respectively. As of June 30, 2025 and 2024, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

<u>2025</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ (528,174)
Changes in assumptions	175,650	(347,331)
Net differences between projected and actual earnings on plan investments	169,530	(73,300)
Contributions after the measurement date	<u>86,136</u>	<u>-</u>
Total	\$ <u>431,316</u>	\$ <u>(948,805)</u>
<u>2024</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ (618,633)
Changes in assumptions	226,173	(403,352)
Net differences between projected and actual earnings on plan investments	254,890	(87,000)
Contributions after the measurement date	<u>86,421</u>	<u>-</u>
Total	\$ <u>567,484</u>	\$ <u>(1,108,985)</u>

**Santa Barbara Metropolitan Transit District
Notes to the Basic Financial Statements
Years Ended June 30, 2025 and 2024**

NOTE 16 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) (CONTINUED)

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

\$86,136 and \$86,421 reported as deferred outflows of resources as of June 30, 2025 and 2024, respectively, resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the years ending June 30, 2026 and 2025, respectively.

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:

<u>Years Ending June 30</u>	<u>Amount</u>
2026	\$ (66,456)
2027	(22,080)
2028	(93,569)
2029	(126,679)
Thereafter	(294,841)
	<u>\$ (603,625)</u>

NOTE 17 ADVANCES ON GRANTS

Advances on grants at June 30, 2025 and 2024 are summarized as follows:

	<u>UCSB Capital</u>	<u>LCTOP Capital</u>	<u>Other Capital</u>	<u>Total Capital</u>	<u>LCTOP Operating</u>	<u>Total Operating</u>	<u>Total Operating & Capital</u>
Available funds at June 30, 2023	\$ 603,823	\$ 922,950	\$ -	\$ 1,526,773	\$ 1,272,942	\$ 1,272,942	\$ 2,799,715
FY24 allocations received	117,984	697,624	299,807	1,115,415	-	-	1,115,415
FY24 interest earned	-	2,296	-	2,296	2,385	2,385	4,681
	<u>117,984</u>	<u>699,920</u>	<u>299,807</u>	<u>1,117,711</u>	<u>2,385</u>	<u>2,385</u>	<u>1,120,096</u>
Less: eligible cost in FY 24	-	(253,347)	(3,021)	(256,368)	(69,226)	(69,226)	(325,594)
Available funds at June 30, 2024	\$ 721,807	\$ 1,369,523	\$ 296,786	\$ 2,388,116	\$ 1,206,101	\$ 1,206,101	\$ 3,594,217
FY25 allocations received	126,795	759,048	-	885,843	-	-	885,843
FY25 interest earned	-	1,660	-	1,660	1,167	1,167	2,827
	<u>126,795</u>	<u>760,708</u>	<u>-</u>	<u>887,503</u>	<u>1,167</u>	<u>1,167</u>	<u>888,670</u>
Less: eligible cost in FY 25	-	-	(296,786)	(296,786)	(269,782)	(269,782)	(566,568)
Available funds at June 30, 2025	<u>\$ 848,602</u>	<u>\$ 2,130,231</u>	<u>\$ -</u>	<u>\$ 2,978,833</u>	<u>\$ 937,486</u>	<u>\$ 937,486</u>	<u>\$ 3,916,319</u>

NOTE 18 SUBSEQUENT EVENTS

The District has evaluated events subsequent to June 30, 2025 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 20, 2026, 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 other than the matters described below:

On September 19, 2025, the District fully satisfied its outstanding lease obligation related to the BYD equipment lease. A final payment of \$496,224 was remitted, resulting in the complete payoff and termination of the lease agreement.

The District has also three (3) Collective Bargaining Agreements (CBA) negotiated and finalized for its represented employees between the District and Teamsters Union-Local 186. The new contract period runs from July 1, 2025 through June 30, 2028.

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)
Last Ten Fiscal Years**

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 48,786	\$ 67,975	\$ 91,669	\$ 89,652	\$ 38,234	\$ 46,605	\$ 45,248	\$ 43,930
Interest cost	164,205	214,998	203,313	196,358	188,151	180,233	170,170	161,053
Changes in benefits terms	-	-	-	-	-	(147,814)	-	-
Differences between expected and actual experiences	-	(550,510)	-	(149,504)	-	-	-	(7,884)
Actual experience	-	-	-	-	-	(67,492)	-	-
Changes of assumptions	-	(459,373)	-	45,994	322,232	63,172	-	-
Benefit payments	(86,421)	(86,710)	(72,957)	(68,116)	(69,547)	(67,552)	(65,645)	(59,133)
Net change in total OPEB liability	126,570	(813,620)	222,025	114,384	479,070	7,152	149,773	137,966
Total OPEB liability - beginning	2,685,676	3,499,296	3,277,271	3,162,887	2,683,817	2,676,665	2,526,892	2,388,926
Total OPEB liability - ending	\$ 2,812,246	\$ 2,685,676	\$ 3,499,296	\$ 3,277,271	\$ 3,162,887	\$ 2,683,817	\$ 2,676,665	\$ 2,526,892
Plan Fiduciary Net Position								
Contributions - employer	\$ 86,421	\$ 86,710	\$ 72,957	\$ 68,116	\$ -	\$ -	\$ 565,645	\$ 1,059,133
Net investment income	143,359	59,374	(241,113)	317,099	84,712	105,941	61,784	(5,256)
Benefit payments	(86,421)	(86,710)	(72,957)	(68,116)	(69,547)	(67,552)	(65,645)	(59,133)
Administrative expenses	(560)	(482)	(1,615)	(1,508)	(788)	(757)	(535)	-
Net change in plan fiduciary net position	142,799	58,892	(242,728)	315,591	14,377	37,632	561,249	994,744
Plan fiduciary net position - beginning	1,739,757	1,680,865	1,923,593	1,608,002	1,593,625	1,555,993	994,744	-
Plan fiduciary net position - ending	1,882,556	1,739,757	1,680,865	1,923,593	1,608,002	1,593,625	1,555,993	994,744
Net OPEB liability - ending	\$ 929,690	\$ 945,919	\$ 1,818,431	\$ 1,353,678	\$ 1,554,885	\$ 1,090,192	\$ 1,120,672	\$ 1,532,148
Net position as a percentage of OPEB liability	66.94%	64.78%	48.03%	58.69%	50.84%	59.38%	58.13%	39.37%
Covered employee payroll	\$ 7,616,502	\$ 8,372,701	\$ 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	12.21%	11.30%	23.14%	15.23%	17.48%	10.93%	10.83%	11.70%

Notes:

1) Changes in assumptions - The discount rate remained the same at 6.10% for the measurement period ended June 30, 2022 and 2023, respectively.

* Historical information is required only for measurement periods for which GASB Statement No. 75 is applicable. Future year's information will be displayed up to ten years as information becomes available.

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

COMPLIANCE SECTION



Independent Auditor's Report on Compliance with the Transportation Development Act (TDA) Requirements

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

Report on Compliance with Transportation Development Act Requirements

Opinion

We have audited the Santa Barbara Metropolitan Transit District's (the District) compliance with the 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, 2025.

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, 2025.

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 requirements 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 the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the TDA 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 agreements applicable to 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 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 TDA regulations 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 the Guidelines as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the TDA regulations, 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 Guidelines, 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 the TDA regulations 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 the TDA regulations 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 the TDA regulations 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 TDA regulations. Accordingly, this report is not suitable for any other purpose.

Vacquez & Company LLP

Glendale, California
March 20, 2026

**Santa Barbara Metropolitan Transit District
Transportation Development Act Requirements Section 6667
Compliance Matrix
Year ended June 30, 2025**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
1. Claimant was an entity eligible to receive the funds allocated to it.	X				
2. Claimant maintains 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.	X				
3. 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.	X				
4. 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.	X				
5. 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.			X		

See independent auditor's report on state compliance.

**Santa Barbara Metropolitan Transit District
Transportation Development Act Requirements Section 6667
Compliance Matrix
Year ended June 30, 2025**

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
6. 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 Section 6633.2, is verified.	X				
7. The amount of the claimant's actual fare revenues for the fiscal year is verified.	X				
8. The amount of the claimant's actual local support for the fiscal year is verified.	X				
9. The amount the claimant was eligible to receive under the TDA during the fiscal year, in accordance with Sections 6634 and 6649 is verified.	X				
10. The amount of the operator's expenditure limitation in accordance with Section 6633.1 is verified.	X				
11. 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	X				
12. The operator has had a certification by the California Department of 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	X				
13. The operator's State Transit Assistance eligibility pursuant to Public Utilities Code Section 99314.6 or 99314.7 is verified.	X				

See independent auditor's report on state compliance.

Santa Barbara Metropolitan Transit District
Transportation Development Act Requirements Section 6667
Compliance Matrix
Year ended June 30, 2025

Compliance Requirements	In Compliance			Questioned Costs	If no, provide details and management response.
	Yes	No	N/A		
14. The claimant for community transit services is in compliance with Public Utilities Code Sections 99155 and 99155.5.			X		

See independent auditor's report on state compliance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Santa Barbara Metropolitan Transit District
Transportation Development Act Requirements Section 6667
Schedule of Findings and Questioned Costs
Year ended June 30, 2025**

There were no findings or questioned costs.



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