



AGENDA
Meeting
of the
BOARD OF DIRECTORS
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
A Public Agency
Tuesday, December 15, 2009
8:30 a.m.
Santa Barbara MTD Auditorium
550 Olive Street, Santa Barbara, CA 93101

1. CALL TO ORDER

2. ROLL CALL OF THE BOARD OF DIRECTORS

Dave Davis, Chair; Dick Weinberg, Vice Chair; Sharon Anderson, Secretary; Roger Aceves, Director; Chuck McQuary, Director; Brian Fahnestock, Director; John Britton, Director

3. REPORT REGARDING POSTING OF AGENDA

CONSENT CALENDAR

4. APPROVAL OF PRIOR MINUTES (ATTACHMENT- ACTION MAY BE TAKEN)

The Board will be asked to waive the reading of and approve the draft minutes for the meeting of December 1, 2009.

5. CASH REPORT- (ATTACHMENTS- ACTION MAY BE TAKEN)

The Board will be asked to review the cash reports for November 24, 2009 through December 7, 2009.

THIS CONCLUDES THE CONSENT CALENDAR

6. PUBLIC COMMENT

Members of the public may address the Board on items within the jurisdiction of the Board that are not scheduled for public hearing. The time allotted per speaker will be at the discretion of the Board Chair. If you wish to address the Board under this item number, please complete and deliver to the MTD Board Clerk **before the meeting is convened**, a "Request to Speak" form including a description of the subject you wish to address. Additional public comment will be allowed during each agenda item, including closed session items. Please fill out the Request to Speak form and indicate the agenda item # that you wish to comment on.

7. UPDATE- CITY OF SANTA BARBARA (ACTION MAY BE TAKEN)

The Board will receive an update from Helene Schneider, City of Santa Barbara Councilmember/ MTD Liaison.

8. PRESENTATION OF FISCAL YEAR 08-09 SINGLE AUDIT (ATTACHMENT- ACTION MAY BE TAKEN)

MTD's independent auditor will provide the Board with a brief update of the fiscal year 08-09 Single Audit.

9. GENERAL MANAGERS REPORT- (ACTION MAY BE TAKEN)

- a. Prop 1B PTMISEA FY 09/10 Update
- b. Holiday Service/ Calendar
- c. Other

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

The Board will report on related public transit issues and committee meetings.

11. ADJOURNMENT

AMERICANS WITH DISABILITIES ACT: If you need special assistance to participate in this meeting, please contact the MTD Administrative Office at 963-3364 at least **48 hours in advance** of the meeting to allow time for MTD to attempt a reasonable accommodation.



MINUTES
Meeting
of the
BOARD OF DIRECTORS
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
A Public Agency
Tuesday, December 1, 2009
8:30 a.m.
Santa Barbara MTD Auditorium
550 Olive Street, Santa Barbara, CA 93101

1. CALL TO ORDER

Chair Davis called the meeting to order at 8:30 a.m.

2. ROLL CALL OF THE BOARD OF DIRECTORS

Chair Davis reported that all members were present.

DISTRICT EMPLOYEES PRESENT:

Sherrie Fisher, General Manager; Jerry Estrada, Assistant General Manager/ Controller; Imelda Martin, Executive Assistant to the General Manager and Board of Directors; David Damiano, Manager of Transit Development and Community Relations; Gabriel Garcia, HR & Risk Manager; Steve Hahn, Materials Control Manager; Dale Zielinski, Maintenance Manager; Cynthia Boche, Assistant Planning Manager

3. REPORT REGARDING POSTING OF AGENDA

Imelda Martin, Executive Assistant to the General Manager and Board of Directors, reported that the agenda was posted on Wednesday, November 25, 2009 at MTD's administrative offices, emailed and mailed to those on the agenda minutes list, and posted on MTD's website

CONSENT CALENDAR

4. & 5. APPROVAL OF PRIOR MINUTES AND CASH REPORT (ACTION MAY BE TAKEN)

Director Britton moved to approve the draft minutes of the meeting of November 17, 2009 and the cash reports for November 10, 2009 through November 23, 2009. Director McQuary seconded the motion. The motion passed unanimously.

THIS CONCLUDES THE CONSENT CALENDAR

6. PUBLIC COMMENT

There was no public comment made.

7. UPDATE- CITY OF SANTA BARBARA (ACTION MAY BE TAKEN)

Ms. Helene Schneider, City of Santa Barbara Councilmember/ MTD Liaison and Mayor Elect, stated that she may not be able to serve as MTD Liaison at the beginning of the year. A City Council Liaison to replace Ms. Schneider may be chosen by the City Council in early January.

8. **UPDATE- AUGUST 24, 2009 SERVICE CHANGE UPDATE– ATTACHMENT (INFORMATIONAL)**
David Damiano, Manager of Transit Development and Community Relations, updated the Board on the routes that experienced changes in the August 24, 2009 service changes. The reports showed increased productivity on most of the lines.

9. **UPDATE- CARB COMPLIANCE (ACTION MAY BE TAKEN)**
Steve Hahn, Materials Manager, and Dale Zielinski, Maintenance Manager, updated the Board on the upcoming changes to the California Air Resources Board (CARB) Compliance Regulations. A detailed technical analysis was presented of the CARB rules, the effects upon MTD's fleet, the response staff has chosen pursue, and the costs of that response.

The fiscal impact of all of these mandated retrofits will be approximately \$168,000 added to MTD's FY 2011 budget, with the work being completed in the fall of 2010.

10. **PUBLIC OFFICIALS DIRECTORS' AND OFFICERS' LIABILITY INSURANCE RENEWAL – ATTACHMENT (ACTION MAY BE TAKEN)**
Director Aceves moved to approve staff's recommendation to renew the Public Officials Directors' and Officers' Liability Insurance with the current carrier, RSUI Indemnity Company, effective 1/3/10. Director Fahnestock seconded the motion. The motion passed unanimously.

11. **SECURE HORIZONS GROUP MEDICARE SUPPLEMENTAL PLAN – ATTACHMENT (ACTION MAY BE TAKEN)**
Director Aceves moved to approve staff's recommendation to renew MTD's group medical retiree plan with Secure Horizons. Director Fahnestock seconded the motion. The motion passed unanimously.

12. **ANNUAL BOARD BUSINESS- ELECTION OF OFFICERS AND COMMITTEE MEMBERS (ACTION MAY BE TAKEN)**
The Board held nominations and elections on the following Board Positions:

Chair: Director Fahnestock moved to nominate Director Davis to remain Chair for an additional year. Director Weinberg seconded the motion. The motion passed unanimously.

Vice Chair: Director Anderson moved to nominate Director Aceves to Vice Chair. Director Fahnestock seconded the motion. The motion passed unanimously.

Secretary: Director Britton moved to nominate Director McQuary to Secretary. Director Fahnestock seconded the motion. The motion passed unanimously.

Committee Members:

The Board of Directors unanimously agreed that Directors would hold the same positions for committee member positions as previously held in the prior calendar year. Director Weinberg moved to approve the committee members to remain on the same committees for the year.

13. **GENERAL MANAGERS REPORT- (ACTION MAY BE TAKEN)**
General Manager Fisher informed that the Santa Barbara Marathon would take place Sunday, December 6, 2009. Staff has coordinated with the Santa Barbara International Marathon.

General Manager Fisher reported that Thanksgiving holiday went well. There was no service on Thanksgiving Day, however the day before Thanksgiving there was extra service in anticipation of increased traffic.

Assistant General Manager Jerry Estrada reported that a Finance Committee meeting will be held on Friday, December 11, 2009.

General Manager Fisher stated that conversations continue with other agencies pertaining to the Clean Air Express regional commuter transit service.

CHAIR DAVIS REQUESTED TO MOVE TO ITEM # 15 CONCURRENT WITH ITEM # 13 FOLLOWED BY ITEM #14

Director Fahnestock moved to move to item # 15 followed by item # 14. Director Aceves seconded the motion. The motion passed unanimously. Chair Davis directed staff to on the future generally calendar closed sessions as the last item on the agenda unless there is a need to take action earlier in a meeting.

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

Director Weinberg reported that SBCAG South Coast Sub- Regional Meeting was cancelled and rescheduled to December 2, 2009 at MTD's Auditorium.

14. RECESS TO CLOSED SESSION-GENERAL MANAGER PERFORMANCE EVALUATION (ACTION MAY BE TAKEN)

Conference with Labor Negotiators pursuant to Government Code Section 54957.6:
SBMTD designated representatives: John Britton, Roger Aceves and Dick Weinberg
SBMTD unrepresented employee: General Manager, Sherrie Fisher

Prior to moving to closed session, Chair Davis reported that the full board will recess to closed session. Director Aceves moved to correct the agenda and report for the record that the full Board would recess to closed session pursuant to Government Code Section 54957.6. Director Fahnestock seconded the motion. The motion passed unanimously. Chair Davis indicated that there were no requests for public comment on this item. Additionally, Director Aceves requested that a Public Comment item be added to any closed session item for future agendas.

Upon returning to closed session, Chair Davis reported that no action was taken.

For the record, Chair Davis also reported that Director Fahnestock departed from the meeting at 10:37 a.m. and Director Aceves departed from the meeting at 10:45 a.m. Director McQuary moved to adjourn the meeting. Director Britton seconded the motion.

16. ADJOURNMENT

Director Britton moved to adjourn the meeting at 10:55 a.m.. Director McQuary seconded the motion. The motion passed unanimously.

AMERICANS WITH DISABILITIES ACT: If you need special assistance to participate in this meeting, please contact the MTD Administrative Office at 963-3364 at least **48 hours in advance** of the meeting to allow time for MTD to attempt a reasonable accommodation.

Santa Barbara Metropolitan Transit District
Cash Report
Board Meeting of December 15, 2009
For the Period November 24, 2009 through December 7, 2009

MONEY MARKET

Beginning Balance November 24, 2009 **\$1,400,506.95**

SB-325 (LTF)	448,249.63
Accounts Receivable	222,244.14
Passenger Fares	140,616.26
Property Tax Revenue	68,047.72
Advertising & Prepaid Dep	2,477.50
Interest Inc - Oct/Nov 09	2,188.22
Miscellaneous	56.00
Total Deposits	883,879.47

ACH Garnishment Trf	(2,730.69)
Bank Fee - Nov 09	(4,721.59)
ACH Pensions Transfer	(33,014.44)
WC Reimb. - Oct/Nov 09	(52,715.08)
ACH Tax Deposit	(134,332.37)
Operations Transfer	(150,591.91)
Payroll Transfer	(310,240.47)
Total Disbursements	(688,346.55)

Ending Balance **\$1,596,039.87**

CASH INVESTMENTS

LAIF Account	\$6,260,295.45
Money Market Account	1,596,039.87

Total Cash Balance **\$7,856,335.32**

SELF INSURED LIABILITY ACCOUNTS

WC / Liability Reserves as of Dec 7, 2009	(\$1,245,473.98)
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Working Capital **\$6,600,861.34**

**Santa Barbara Metropolitan Transit District
Accounts Payable**

Check #	Date	Company	Description	Amount	Voids
92861	6/19/2009	RODRIGUEZ, ARTHUR	VTT RENEWAL	10.00	V
93813	10/15/2009	SANTA BARBARA CONFERENCE &	MEMBERSHIP DUES	50.00	V
94133	12/1/2009	ALTERNATIVE COPY SHOP, INC.	PRINTING SERVICES	313.74	
94134	12/1/2009	BOMAR SECURITY & INVESTIGATI	SECURITY SERVICES	893.20	
94135	12/1/2009	CALIFORNIA ELECTRIC SUPPLY, IN	SHOP/B&G SUPPLIES	189.57	
94136	12/1/2009	CAPITOL HARDWARE & BUILDING	B&G REPAIRS & SUPPLIES	409.99	
94137	12/1/2009	CARQUEST AUTO PARTS	BUS PARTS & SUPPLIES	496.59	
94138	12/1/2009	CINTAS FIRST AID & SAFETY DB	FIRST AID SUPPLIES	591.59	
94139	12/1/2009	CIO SOLUTIONS, LP	PROFESSIONAL SERVICES	3,062.50	
94140	12/1/2009	COX COMMUNICATIONS	INTERNET & CABLE TV	20.00	
94141	12/1/2009	CUMMINS CAL PACIFIC LLC	BUS PARTS	1,104.62	
94142	12/1/2009	DENMUN OFFICE EQUIPMENT	OFFICE MACHINE SUPPLIES/MAINTEN	1,489.69	
94143	12/1/2009	DONS INDUSTRIAL, INC.	BUS PARTS/SHOP SUPPLIES	19.35	
94144	12/1/2009	ERGOMETRICS, INC.	DRIVER TEST SCORING	95.00	
94145	12/1/2009	EVERYTHING ELECTRIC	SHOP/B&G SUPPLIES	4.46	
94146	12/1/2009	FEDERAL EXPRESS CORP.	FREIGHT CHARGES	43.02	
94147	12/1/2009	FEDEX OFFICE	PRINTING SERVICES	948.85	
94148	12/1/2009	FISHER, SHERRIE	REIMBURSEMENT	44.00	
94149	12/1/2009	GFI GENFARE, INC.	FAREBOX REPAIRS & PARTS	751.79	
94150	12/1/2009	GIBBS INTERNATIONAL INC	BUS PARTS/SUPPLIES	1,338.71	
94151	12/1/2009	GILLIG LLC DBA	BUS PARTS	926.54	
94152	12/1/2009	GOODYEAR TIRE & RUBBER CO	LEASED TIRES	10,599.78	
94153	12/1/2009	GUARDIAN DENTAL INSURANCE	DENTAL INSURANCE	3,278.81	
94154	12/1/2009	GUARDIAN LIFE INS CO. CORP.	LIFE INSURANCE	938.83	
94155	12/1/2009	H. G. PETERSEN FAMILY PROPERTI	PARKING FOR VALLEY BUSES	100.00	
94156	12/1/2009	HILLYARD/LOS ANGELES	SHOP SUPPLIES	582.44	
94157	12/1/2009	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	111.73	
94158	12/1/2009	INTERCON TECHNOLOGIES DBA	EV/CHARGER REPAIRS	3,746.16	
94159	12/1/2009	INTELLICORP RECORD INC.	PRE-EMPLOYMENT CHECK	231.95	
94160	12/1/2009	INDOFF, INC.	OFFICE SUPPLIES	1,446.28	
94161	12/1/2009	JOY EQUIPMENT PROTECTION, INC.	SERVICING FIRE EXTINGUISHERS	30.00	
94162	12/1/2009	LANSPEED DBA	SOFTWARE SUPPORT	225.00	
94163	12/1/2009	LENZ PEST CONTROL DBA	FUMIGATION	35.00	
94164	12/1/2009	MC CORMIX CORP. (GAS)	FUEL-SERVICE VEHICLES	1,935.67	
94165	12/1/2009	MCGOWAN GUNTERMANN	ANNUAL AUDIT	15,000.00	
94166	12/1/2009	MCMASTER-CARR SUPPLY CO.	SHOP/B&G SUPPLIES	52.87	
94167	12/1/2009	MEDICAL EYE SERVICES, INC.	VISION SERVICES	324.52	

Check #	Date	Company	Description	Amount	Voids
94168	12/1/2009	NATIONAL INTERSTATE INS INC.	LIABILITY INSURANCE	3,348.80	
94169	12/1/2009	NU-COOL REDI GREEN	COOLANTS & SHOP SUPPLIES	362.90	
94170	12/1/2009	NU IMAGE AD GROUP DBA	PROFESSIONAL SERVICES	576.99	
94171	12/1/2009	PREVOST CAR INC.- CREDIT DEPT.	BUS PARTS	241.42	
94172	12/1/2009	PACIFICARE OF CALIFORNIA	HEALTH INSURANCE	48,675.31	
94173	12/1/2009	PRAXAIR DISTRIBUTION, INC.	SHOP SUPPLIES	26.09	
94174	12/1/2009	PROFORMA COLOR PRESS DBA	PROMOTIONAL GIVEAWAYS	1,949.05	
94175	12/1/2009	RAMIREZ, ANTONIO	MEDICAL REIMBURSEMENT	285.00	
94176	12/1/2009	REPUBLIC ELEVATOR, INC	ELEVATOR MAINTENANCE	126.00	
94177	12/1/2009	SB LOCKSMITHS, INC.	B&G REPAIR & SUPPLIES	274.16	
94178	12/1/2009	SMITH, RON	TOOL ALLOWANCE	255.04	
94179	12/1/2009	SERVICE MASTER OF SANTA BARB	JANITORIAL SERV./SUPPLIES	402.34	
94180	12/1/2009	SM TIRE, CORP.	BUS TIRE MOUNTING	118.50	
94181	12/1/2009	SMART & FINAL	OFFICE/MEETING SUPPLIES	44.31	
94182	12/1/2009	SOFTCHOICE CORP, INC.	COMPUTER SOFTWARE	678.10	
94183	12/1/2009	SPECIALTY TOOL & BOLT	SHOP SUPPLIES	178.28	
94184	12/1/2009	STAPLES CREDIT PLAN	OFFICE & COMPUTER SUPPLIES	638.89	
94185	12/1/2009	SB CITY OF-REFUSE/WATER	UTILITIES	770.78	
94186	12/1/2009	TELCOM, INC.	RADIO INSTALLATION & SERVS.	1,363.73	
94187	12/1/2009	THE LIGHTHOUSE	SHOP SUPPLIES	85.59	
94188	12/1/2009	THE MEDCENTER	MEDICAL EXAMS	1,632.00	
94189	12/1/2009	TANK TEAM INC.	TANK TESTS	93.00	
94190	12/1/2009	TRI-COUNTY AUTO GLASS INC	REPLACE BUS WINDOWS	150.00	
94191	12/1/2009	UPS FREIGHT	FREIGHT SHIPPING	129.01	
94192	12/1/2009	INTERSTATE CAPITAL CORPORATI	UNIFORMS	35.34	
94193	12/1/2009	VERIZON CALIFORNIA	TELEPHONES	2,566.79	
94194	12/1/2009	VERIZON WIRELESS	WIRELESS PHONES	361.24	
94195	12/1/2009	WAXIE SANITARY SUPPLY DBA	JANITORIAL SUPPLIES	583.73	
94196	12/1/2009	WPCI	DRUG TESTING KITS	376.98	
94197	12/1/2009	NATIONAL INTERSTATE INS INC.	LIABILITY INSURANCE	22,998.00	
94198	12/4/2009	CHILD SUPPORT ENFORCEMENT AG	PAYROLL RELATED	147.69	
94199	12/4/2009	COX COMMUNICATIONS	INTERNET & CABLE TV	192.95	
94200	12/4/2009	DEAILE, MARY	PAYROLL RELATED	106.15	
94201	12/4/2009	STATE OF CALIFORNIA	PAYROLL RELATED	295.97	
94202	12/4/2009	UNITED STATES TREASURY - IRS	PAYROLL RELATED	500.00	
94203	12/4/2009	SHERIFF CIVIL BUREAU	PAYROLL RELATED	670.86	
94204	12/4/2009	PB-PURCHASE POWER	PREPAID POSTAGE	36.37	
94205	12/4/2009	SB COUNTY FEDERAL CREDIT UNIO	PAYROLL DEDUCTION	1,448.00	
94206	12/4/2009	SEELEY-RUIZ, KAREN	PAYROLL RELATED	75.69	
94207	12/4/2009	SO. CAL. EDISON CO.	UTILITIES	4,472.87	

Check #	Date	Company	Description	Amount	Voids
94208	12/4/2009	SB CITY OF-REFUSE/WATER	UTILITIES	1,600.35	
94209	12/4/2009	TEAMSTERS UNION LOCAL NO. 186	UNION DUES	395.39	
				150,651.91	
Current Cash Report Voided Checks:				0.00	
Prior Cash Report Voided Checks:				60.00	
Grand Total:				\$150,591.91	

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

Date	Company	Description	Amount
11/24/2009	Department of Rehabilitation	Passes/Token Sales	20.00
11/30/2009	City of SB - Browning Allen	Downtown Shuttle - Nov09	90,999.75
11/30/2009	City of SB - Commuter Lot	Commuter Lot Shuttle - Nov09	16,945.08
11/30/2009	City of SB - Transit Enhancement	Transit Enhancement - L1,2&3 Nov09	41,516.33
11/30/2009	SB School District	Passes/Token Sales	41,250.00
11/30/2009	SB School District	Passes/Token Sales	2,970.00
12/1/2009	The Jewelry Mart	Advertising on Buses	288.00
12/2/2009	ASTI Holding Company, LLC	Overpass Property Lease - Dec09	14,000.00
12/3/2009	Calles, Gilbert & Leandra	Health Insurance - Retiree	240.74
12/3/2009	SB County Public Health	Passes/Token Sales	3,937.50
12/4/2009	Cottage Hospital	Passes/Token Sales	4,600.00
12/4/2009	Department of Rehabilitation	Passes/Token Sales	20.00
12/4/2009	Department of Rehabilitation	Passes/Token Sales	20.00
12/4/2009	Department of Rehabilitation	Passes/Token Sales	20.00
12/4/2009	Department of Rehabilitation	Passes/Token Sales	20.00
12/4/2009	Department of Rehabilitation	Passes/Token Sales	20.00
12/4/2009	Department of Rehabilitation	Passes/Token Sales	20.00
12/4/2009	Department of Rehabilitation	Passes/Token Sales	20.00
12/4/2009	Fountain, Melvin and Elizabeth	Health Insurance - Retiree	240.74
12/4/2009	S.B.C.A.G.	CAE Commuter Service - Oct09	5,096.00
Total Accounts Receivable Paid During Period			\$222,244.14

BOARD OF DIRECTORS REPORT

MEETING DATE: December 15, 2009 **AGENDA ITEM #:** 8

TYPE: Action

PREPARED BY: Jerry Estrada

Signature

REVIEWED BY: General Manager

GM Signature

SUBJECT: Presentation of the Fiscal Year 08/09 Single Audit Report

DISCUSSION:

Staff is pleased to report that the financial statements are considered “unqualified”, this is a positive in accounting terms, and the compliance report includes no findings. Mr. Scott Davis of McGowan Guntermann will elaborate on the audit and with the assistance of staff introduce two other matters associated with the financial statements.

First, the District’s practice of reporting funds as deferred credits (a liability) on its balance sheet has changed and is now reported as unrestricted net assets. This change results in a restatement of the prior year financials. Mr. Davis has recommended the change based on his review of financials prepared by other transit operators throughout the state and his interpretation of Governmental Accounting Standards Board (GASB) requirements. The change will have no impact on the Districts operations or cash flow.

Second, the District was required to comply with a new GASB policy, Statement 45 regarding “Other Postemployment Benefits – Retiree Health”. The new accounting policy is applicable to all government entities and has been implemented over the past few years based on the size of the organization. The policy requires the disclosure and accounting of the projected retiree health benefit liability within the fiscal year 08-09 financial statements.

The GASB policy does not require the District to fund the liability. As such, the new GASB policy does not impact the District’s ability to fund its operations. However, to meet the requirement to disclose and account for the actuarially determined retiree health care liability over the next 30-years a study was commissioned. Aon Consulting was hired to conduct the study and determine the projected costs. Those findings are included in the financial statements and will be discussed during the meeting.

In summary, the presentation will focus on the following matters:

- a) Financial Statements – (Informational)
- b) Compliance Report – (Informational)
- c) Restatement – Unrestricted Net Assets – (Informational)
- d) Other Postemployment Benefits (OPEB) – Retiree Health Benefits – (Action)

RECOMMENDATION:

Staff recommends that the matter of retiree health benefits as it pertains to the OPEB be sent to the Finance Committee for further review with the intent of bringing a more detailed recommendation back to the full board.

**SANTA BARBARA
METROPOLITAN TRANSIT DISTRICT**

COMPLIANCE REPORTS

June 30, 2009

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

June 30, 2009

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

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

We have audited the financial statements of Santa Barbara Metropolitan Transit District as of and for the year ended June 30, 2009, and have issued our report thereon dated November, XX, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Santa Barbara Metropolitan Transit District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Barbara Metropolitan Transit District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, and federal awarding and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

November XX, 2009

Independent Auditor's Report on Compliance
with Requirements Applicable to Each Major
Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133 and
Schedule of Expenditures of Federal Awards

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

Compliance

We have audited the compliance of Santa Barbara Metropolitan Transit District (the District) with the types of compliance requirements described in the U. S. Office of Management and Budget (*OMB*) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Santa Barbara Metropolitan Transit District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the District as of and for the year ended June 30, 2009, and have issued our report thereon dated October 30, 2009. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of directors, management, and federal awarding and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

November XX, 2009

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2009

FEDERAL GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL GRANT NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF TRANSPORTATION – Federal Transit Administration			
Operating Grant	20.507	CA-90-Y700-01	\$ 4,309,520
Operating/Capital Grant	20.507	CA-90-Y035-01	<u>1,418,469</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,727,989</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2009

Note 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Santa Barbara Metropolitan Transit District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: **unqualified**

Internal control over financial reporting:

Material weakness identified? **none reported**

Reportable condition identified that are not considered to be material weaknesses? **none reported**

Noncompliance material to financial statements noted? **none reported**

Federal Awards

Internal control over major programs:

Material weakness identified? **none reported**

Reportable condition identified that are not considered to be material weaknesses? **none reported**

Type of auditor’s report issued on compliance for major programs: **unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? **no**

Identification of major programs:

CFDA Number

20.507

Name of Federal Program or Cluster

U.S. DEPARTMENT OF TRANSPORTATION - Federal Transit Administration

Dollar threshold used to distinguish between type A and type B programs: **\$300,000**

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

Section II—Financial Statement Findings

None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

Section III—Federal Award Findings and Questioned Costs

NO FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2008

Section III—Federal Award Findings and Questioned Costs

NO FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

**SANTA BARBARA
METROPOLITAN TRANSIT DISTRICT
FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2009 and 2008**

DRAFT

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

June 30, 2009 and 2008

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DRAFT

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements as listed in the preceding table of contents of Santa Barbara Metropolitan Transit District as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Santa Barbara Metropolitan Transit District as of June 30, 2009 and 2008, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The District adopted the Statements of Governmental Accounting Standards Board No. 45, *Accounting and Financial reporting by Employers for Postemployment Benefits Other Than Pension*.

The Management's Discussion and Analysis on pages I through VI are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December XX, 2009, on our consideration of the Santa Barbara Metropolitan Transit District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

December XX, 2009

DRAFT

Management's Discussion and Analysis for Fiscal Year 2008-09

This report provides a narrative and analytical overview of the financial activities of the Santa Barbara Metropolitan Transit District (District). The District's basic financial statements are prepared using proprietary fund (enterprise fund) accounting, the same basis of accounting as private-sector business enterprises. The District is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a balance sheet, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. These are followed by notes to the financial statements.

Financial Reports

The balance sheets presents information on the assets and liabilities, with the difference between the two reported as net assets.

The statements of revenue, expenses and changes in net assets report the District's annual operating and non-operating revenue and expenses combined with any capital grants, net of depreciation expense, to determine the net change in assets for the fiscal years. That change, combined with the previous year-end net asset total, reconciles to the net asset total at the end of the fiscal years. The schedules of expenses reports the amount of operating costs incurred during the fiscal years.

The statements of cash flow report annual cash and cash equivalent activities resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash balance and agrees to the cash and cash equivalent balance at the end of the fiscal years. Certificates of deposit that exceed ninety days on acquisition are not considered cash equivalents.

Financial Summary

The District completed fiscal year 08-09 with an increase in Unrestricted Net Assets, (formerly referred to as deferred credits¹) of \$298,285. The District had originally budgeted for a decrease in unrestricted net assets of (\$398,971). The variance between actual and budgeted unrestricted net assets is partially due to an advance of \$240,563 in Proposition 1B – OHS funds for the purchase of a security system for MTD's facilities. Delays in the acquisition of some capital projects also contributed to the increase in unrestricted net assets.

Assets & Liabilities

The District uses proceeds from local, state and federal grants to acquire its assets. Net assets serve as a useful indicator of an agency's financial position. The District's current assets equal liabilities at June 30, 2009.

¹ Deferred credits consisted of TDA-LTF revenue accumulated by the District for transit purposes. These funds are used as cash flow for daily transit operations as well as to offset projected and/or unexpected financial shortfalls. Additionally, Proposition 1B-OHS and PTMISEA funds restricted for specific capital projects were also included in the deferred credit balance, now restated to unrestricted net assets.

As the table below illustrates, net assets decreased by \$1,367,753 during fiscal year 08-09. The decrease is a result of the fact that depreciation expense and disposals exceeded new capital investments.

Statement of Net Assets
June 30

	2009	2008
Assets:		
Current Assets	\$13,319,180	\$10,707,636
Non-Current (Capital) Assets	31,240,860	32,663,930
Total Assets	\$44,560,040	\$43,371,566
Liabilities:		
Current Liabilities	\$2,588,236	\$1,090,793
Non-Current (Deferred Credits) Liabilities	3,261,706	3,293,715
Total Liabilities	\$5,849,942	\$4,384,508
Unrestricted Net Assets:		
Invested in capital assets	\$28,594,800	\$30,260,838
Unrestricted	\$10,115,298	\$9,817,013
Total Net Assets	\$38,710,098	\$40,077,851

Revenue, Expense and Performance Indicators

The District's three primary sources of operating revenue are passenger fares, federal operating assistance and Transportation Development Act (TDA) receipts.

Actual passenger fares for fiscal year 08-09 were \$7,967,940 versus \$7,336,528 in the prior fiscal year resulting in an increase of \$631,412 or 8.6%. The increase in passenger fares is attributable to a fare structure revision implemented in January of 2009 to increase fare rates. Federal Operating Assistance increased by \$297,891 or 7.4%, while federal Congestion Mitigation and Air Quality (CMAQ) funds decreased by (\$155,026).

In fiscal year 08-09 TDA funding decreased by (\$1,047,963) or (13.5%).

These funds constitute a significant percentage of the District's operating and capital revenues. Local Transportation Fund (TDA-LTF) revenue decreased by (\$653,118), while State Transit Assistance (TDA-STA) decreased by (\$394,845).

TDA SB325 Local Transportation Funds

	FY 08-09	FY 07-08	FY 06-07
Local Transportation Fund (SB 325)	\$6,172,289	\$6,825,407	\$6,894,060
State Transit Assistance Fund (SB 620)	566,330	961,175	533,150
	\$6,738,619	\$7,786,582	\$7,427,210

Subsidy Change:	(\$1,047,963)	\$359,372	\$292,721
% Change:	-13.5%	4.8%	4.1%

Historically, the District balanced its operating budget with TDA-LTF funds, while managing to allocate approximately one million dollars annually to capital related expenses. TDA-LTF funds allocated to capital expenses are supplemented with TDA-STA funds to balance the capital budget.

The District is notified of the estimated TDA-LTF apportionment for the upcoming fiscal year approximately five months in advance. The timing of the notification allows the District to include the appropriate figure in the annual budget. However, this does not allow sufficient time for the District to adjust service levels for the coming fiscal year. As such, it is prudent for the District to maintain a sufficient "deferred credit" balance to ensure working capital requirements for the upcoming year are met.

Operating expenses before depreciation exceeded prior year figures by \$1,708,206 or 8.5%. Governmental Accounting Standards Board (GASB) Statement 45 required the District to conduct an actuarial assessment of its Other Post Retirement Benefits (Health Insurance) and book the reported liability. The policy does not require MTD to fund the liability but it is required to be disclosed and accrued. The liability resulted in an \$880,000 expense accounting for more than half of the increase in operating expenses versus prior year figures. Excluding the

mentioned post retirement expense, operating expenses were \$828,206 over prior year results or 4.1%.

Wages and fringe benefits accounted for 75.6% of the District's operating costs, before depreciation, in fiscal year 08/09 up from the prior year figure of 72.6%. As a result, wages and fringe benefits increased by \$1,882,924 in fiscal year 08-09 versus prior year. Fuel costs decreased by (\$289,413) during the fiscal year as the price per gallon dropped significantly in the second-half of the year. Furthermore, a decrease in liability costs of (\$69,262) and media ad placement of (\$49,844) provided additional relief:

**Santa Barbara Metropolitan Transit District
Revenue, Expense and Performance Report
Years Ended June 30, 2009 and 2008**

Category	Actual FY 08-09	Prior Year FY 07-08	Actual vs. Prior % Change	Budget FY 08-09	Actual vs. Budget % Change
Revenues:					
Passenger Fares	\$7,967,940	\$7,336,528	8.6%	\$8,029,656	-0.8%
Property Tax	865,663	832,695	4.0%	784,052	10.4%
Local Operating Assistance	1,367,818	1,152,673	18.7%	1,332,338	2.7%
Non-Transportation Revenue ⁽¹⁾	488,709	518,515	-5.7%	514,750	-5.1%
Sub Total :	\$10,690,130	\$9,840,411	8.6%	\$10,660,796	0.3%
Major Subsidies:					
TDA ⁽²⁾	\$6,480,516	\$5,764,897	12.4%	\$6,175,217	4.9%
Federal Operating Assistance	4,533,269	4,390,404	3.3%	4,288,598	5.7%
Sub Total:	\$11,013,785	\$10,155,301	8.5%	\$10,463,815	5.3%
Total Operating Revenue <small>(excluding interest paid)</small>	\$21,703,916	\$19,995,712	8.5%	\$21,124,611	2.7%
Expenses:					
Vehicle Operations	\$11,455,736	\$10,834,875	5.7%	\$11,574,819	-1.0%
Vehicle Maintenance	5,055,902	5,099,881	-0.9%	5,386,431	-6.1%
Passenger Facilities	1,535,019	1,623,384	-5.4%	1,692,792	-9.3%
General Overhead	2,691,955	2,354,401	14.3%	2,470,569	9.0%
OPEB - Retiree Health Care	965,304	83,169	1060.7%		
Total Operating Expense	\$21,703,916	\$19,995,710	8.5%	\$21,124,611	2.7%
<small>(excluding depreciation)</small>					
Performance Indicators:					
Total Passengers	8,293,076	8,104,576	2.3%		
Revenue Hours	206,013	205,109	0.4%		
Revenue Miles	2,626,546	2,607,964	0.7%		
Farebox Ratio ⁽³⁾	36.7%	36.7%	0.1%		
Cost/Passenger	\$2.62	\$2.47	6.1%		
Cost/Hour	\$105.35	\$97.49	8.1%		
Cost/Mile	\$8.26	\$7.67	7.8%		
Passenger/Hour	40.26	39.51	1.9%		

(1) Of the \$488,709 in non-transportation revenue for fiscal year 08-09, \$369,843 was derived from advertising revenue. The District offers advertising opportunities inside and outside its buses.

(2) Excluding the OPEB –Retiree Health Care expense of \$880,000, the amount of TDA subsidy applied to operations decreased by \$161,977 in fiscal year 08-09. This figure fluctuates annually based on the amount required to balance the District's revenues with expenses. It should be noted that the figures noted above reflect the amount of TDA required to balance the operating budget.

(3) Farebox Ratio is a standard transit performance indicator that is calculated by dividing operating expenses, less depreciation and interest, by passenger fares.

Conclusion

Wages and benefits increased during fiscal year 08-09, consistent with scheduled increases associated with the Collective Bargaining Agreement. Fortunately, skyrocketing fuel prices subsided after the summer resulting in a reduced cost for diesel fuel. Additionally, the District entered into a fixed-fuel price agreement late in the fiscal year to lock in on low diesel fuel costs. That decision will benefit the District well into fiscal year 09-10. Action was taken to reduce discretionary spending throughout the year resulting in a decrease in marketing related expenses of (\$59,485). A one-time charge associated with the Calle Real property was taken that increased expenses by approximately \$300,000. This transaction closes out the work-in-process account associated with the development of the site.

From a financial management perspective, the immediate concern at the beginning of the fiscal year was the approval and implementation of a new fare structure to offset rising fuel prices and flat sales tax revenue returns. In September of 2008, the board of directors took action to approve a new fare structure offsetting the projected imbalance in the operating budget. Unexpectedly, diesel fuel prices dropped shortly thereafter resulting in significant financial relief. However, the relief was short-lived as the largest recession since the Great Depression was unleashed resulting in a sharp decrease in TDA-LTF sales tax revenue.

Outlook

The financial crisis that has beset our country has had a deep impact on the District’s finances. A -9.6% or (\$653,118) decrease in the District’s annual TDA-LTF sales tax revenue has essentially eliminated its ability to supplement the capital budget with these funds. Compounding the matter was the elimination of the State Transit Assistance (TDA-STA) fund, which was the District’s only dedicated source of capital funding.

The District will fund its capital acquisitions over the next few years with one-time grants and a reallocation of TDA-STA funds from prior years that had been set aside for the Automated Vehicle Location system.

Sales Tax Payment (TDA-LTF)				
(Reflects receipts from 2-3 months prior)				
	Actual FY08	Actual FY09	Change Vs. PY	
Jul	\$455,572	\$479,174	\$23,601	5.2%
Aug	608,583	639,257	30,674	5.0%
Sep	726,428	592,450	(133,978)	-18.4%
Oct	499,376	480,108	(19,268)	-3.9%
Nov	666,708	640,933	(25,775)	-3.9%
Dec	601,220	533,269	(67,951)	-11.3%
Jan	525,222	476,771	(48,451)	-9.2%
Feb	702,118	523,346	(178,772)	-25.5%
Mar	447,241	485,681	38,440	8.6%
Apr	429,860	384,963	(44,898)	-10.4%
May	574,228	414,082	(160,146)	-27.9%
Jun	588,850	522,256	(66,594)	-11.3%
YTD Total:	\$6,825,407	\$6,172,289	(\$653,118)	-9.6%

Fortunately, the forthcoming implementation of Measure A, a local half-cent sales tax measure passed by the voters in November of 2008, includes a Transit Capital fund dedicated to the District. The Transit Capital fund will partially offset the loss of TDA-STA². However, without the restoration of at least some of the TDA-STA money it is likely that that the District will be

²A recent California Supreme Court action may result in the restoration of a portion of these funds. At this time it is unclear what the specific impact will be on the District’s finances.

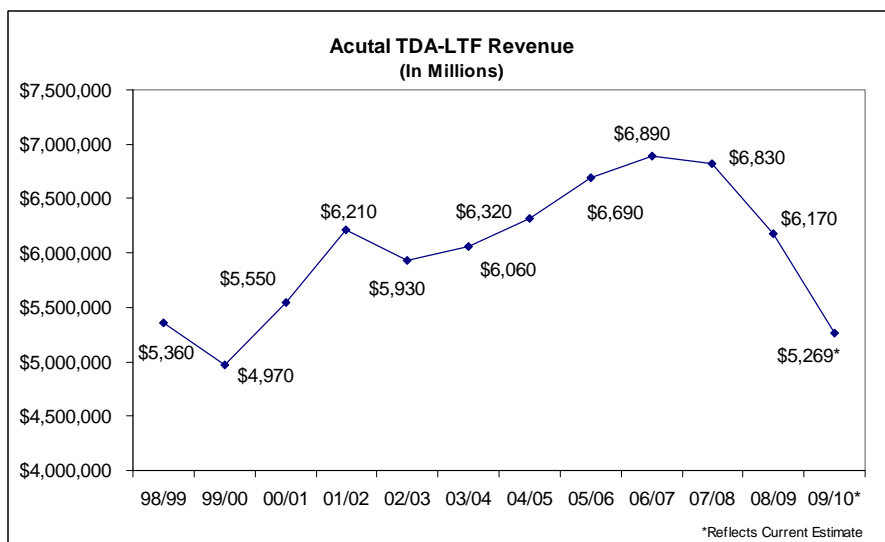
required to reallocate some of its existing operating revenue to the capital budget resulting in the need to raise fares and/or reduce service levels.

While the -9.6% decrease is significant it does not fully express the magnitude of the problem. For fiscal year 08-09, the County Auditor-Controller's office projected an additional -8% decrease in the TDA-LTF sales tax revenue. At present, TDA-LTF sales tax revenue received has decreased by an average of -19.4% over the first four months of fiscal year 09-10.

Sales Tax Payment (TDA-LTF)							
(Reflects receipts from 2-3 months prior)							
	Actual FY08	Actual FY09	Change Vs. PY		Actual FY10	Change Vs. PY	
Jul	\$455,572	\$479,174	\$23,601	5.2%	\$380,950	(\$98,223)	-20.5%
Aug	608,583	639,257	30,674	5.0%	\$512,845	(126,411)	-19.8%
Sep	726,428	592,450	(133,978)	-18.4%	\$476,285	(116,165)	-19.6%
Oct	499,376	480,108	(19,268)	-3.9%	\$395,348	(84,760)	-17.7%
	\$2,289,960	\$2,190,988	(\$98,971)	-4.3%	\$1,765,429	(\$425,559)	-19.4%

Reflecting the most current information available and assuming an optimistic decline of -12% for the remaining periods a revised estimate for fiscal year 09/10 for TDA-LTF would result in an annual amount of approximately \$5.269 million. That is less than what the District received in fiscal year 98/99.

The fare structure implemented in January of 2009 was estimated to result in an increase of approximately \$1.1 to \$1.3 million annually. However, recent results indicate that actual results will be in the range of \$600 to \$800 thousand annually.



Typically, fare structure changes are implemented every five to six years but the sharp decrease in TDA-LTF sales tax revenue has all but wiped away the benefits of the recently implemented fare structure. As discussed earlier, the sharp decrease in diesel fuel prices has resulted in some temporary relief. However, diesel fuel prices are expected to rise from current levels as the District's fixed-price contract expires in May 2010 and it is exposed to the marketplace once again.

Measure A was passed by the voters in November of 2008 providing funding directly to the District in lieu of pass-through financial support for said services previously provided by local

city's and the county. Measure A included a new transit capital funding program specifically for the District, which will provide a dedicated source of funding partially alleviating the need to reallocate operating revenue to the capital budget.

Below is a list of other significant issues that will impact the District's finances in the near future:

- Electric and diesel bus acquisitions – The District is planning to acquire eight replacement electric shuttles and seven replacement diesel buses as well as another seven replacement hybrid buses.
- TDA Subsidy – Population is a significant factor in determining the distribution of TDA funds within Santa Barbara County. If the population of southern Santa Barbara County continues to decrease, the District's share of TDA funds will shrink. This does not mean, in and of itself that the District will see a decrease in TDA funds but it will receive less of the county-wide apportionment.
- Reauthorization of the federal transportation spending bill will have a significant impact on the District's operating budget. Additionally, it is likely that the bill will provide capital funding opportunities.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

BALANCE SHEETS
June 30, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,128,311	\$ 6,084,076
Certificates of deposit - over 90 days	-	2,000,000
Grants receivable	6,668,775	1,043,385
Other receivable	273,639	216,284
Materials and supplies inventories	1,117,934	1,241,957
Other current assets	<u>130,521</u>	<u>121,934</u>
Total Current Assets	<u>13,319,180</u>	<u>10,707,636</u>
NON-CURRENT ASSETS		
Cash restricted for capital support	2,646,060	2,403,092
Capital assets:		
Tangible transit operating property	53,389,718	52,278,659
Less: Accumulated depreciation	<u>(24,794,918)</u>	<u>(22,017,821)</u>
Capital Assets, net	<u>28,594,800</u>	<u>30,260,838</u>
Total Non-Current Assets	<u>31,240,860</u>	<u>32,663,930</u>
TOTAL ASSETS	<u>\$ 44,560,040</u>	<u>\$ 43,371,566</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Trade payables	\$ 1,937,638	\$ 456,409
Accrued payroll	568,317	426,905
Accrued expenses	<u>82,281</u>	<u>207,479</u>
Total Current Liabilities	<u>2,588,236</u>	<u>1,090,793</u>
NON-CURRENT LIABILITIES		
Compensated absences payable	988,429	918,965
Accrued damage, injury, and employee claims	1,393,277	1,283,957
Accrued other post employment benefits	<u>880,000</u>	<u>-</u>
Total Non-Current Liabilities	<u>3,261,706</u>	<u>2,202,922</u>
Total Liabilities	<u>5,849,942</u>	<u>3,293,715</u>
NET ASSETS		
Invested in capital assets	28,594,800	30,260,838
Unrestricted	<u>10,115,298</u>	<u>9,817,013</u>
Total Net Assets	<u>38,710,098</u>	<u>40,077,851</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 44,560,040</u>	<u>\$ 43,371,566</u>

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

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u> (restated)
OPERATING REVENUE, NOT INCLUDING LOCAL AND FEDERAL ASSISTANCE		
Passenger fares	\$ <u>7,967,940</u>	\$ <u>7,336,528</u>
OPERATING EXPENSES		
Vehicle operations	11,455,736	10,834,875
Vehicle maintenance	5,055,902	5,099,881
Passenger facilities	1,535,019	1,623,384
General overhead	2,691,955	2,354,401
Post employment health care benefits	<u>965,304</u>	<u>83,169</u>
Total before Depreciation	21,703,916	19,995,710
Depreciation	<u>3,245,958</u>	<u>3,171,901</u>
Total Expenses	<u>24,949,874</u>	<u>23,167,611</u>
OPERATING LOSS	<u>(16,981,934)</u>	<u>(15,831,083)</u>
NON-OPERATING REVENUE		
Non-transportation revenue, including interest, advertising, rental and miscellaneous	488,709	518,515
Taxes levied by Santa Barbara County for Transit District	865,663	832,695
Transportation Development Act funding and allocations	6,738,619	7,786,582
Federal grants and reimbursements	5,727,989	4,390,404
Proposition 1B grant advances	240,563	2,403,092
Miscellaneous grants	1,581,666	1,152,673
Loss on disposal of assets	<u>(29,028)</u>	<u>(8,183)</u>
Total Non-Operating Revenue	<u>15,614,181</u>	<u>17,075,778</u>
CHANGE IN NET ASSETS	(1,367,753)	1,244,695
BEGINNING OF YEAR NET ASSETS	<u>40,077,851</u>	<u>38,833,156</u>
END OF YEAR NET ASSETS	\$ <u>38,710,098</u>	\$ <u>40,077,851</u>

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

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

STATEMENTS OF EXPENSES
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
LABOR		
Operators' wages	\$ 5,948,000	\$ 5,637,382
Other salaries and wages	<u>3,721,117</u>	<u>3,650,558</u>
Total Labor	<u>9,669,117</u>	<u>9,287,940</u>
FRINGE BENEFITS		
Payroll taxes	864,601	829,223
Retirement plans	1,229,510	1,139,134
Health and welfare	2,601,226	1,552,809
Workers compensation	672,876	430,318
Sick pay	227,275	188,260
Holiday pay	354,992	332,372
Vacation pay	673,854	649,334
Other paid absences	58,994	58,379
Uniforms and tool allowances	<u>50,964</u>	<u>52,716</u>
Total Fringe Benefits	<u>6,734,292</u>	<u>5,232,545</u>
SERVICES		
Professional and technical including directors' fees	473,012	286,366
Outside services	84,663	86,583
Contract maintenance services	451,509	357,642
Promotion and printing	<u>141,768</u>	<u>144,795</u>
Total Services	<u>1,150,952</u>	<u>875,386</u>
MATERIALS AND SUPPLIES		
Fuel and lubricants	1,790,941	2,084,857
Tires and tubes	125,685	113,760
Bus parts	671,984	755,680
Other materials and supplies	204,453	244,257
Electric bus power	<u>79,848</u>	<u>77,780</u>
Total Material and Supplies	<u>2,872,911</u>	<u>3,276,334</u>
Subtotal - Expenses Carried Forward	<u>\$20,427,272</u>	<u>\$18,672,205</u>

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

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

STATEMENTS OF EXPENSES (CONTINUED)

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Subtotal - Expenses Brought Forward	\$20,427,272	\$18,672,205
UTILITIES AND TELEPHONE	<u>194,461</u>	<u>182,771</u>
CASUALTY AND LIABILITY COSTS	<u>330,535</u>	<u>351,272</u>
PURCHASED TRANSPORTATION	<u>522,192</u>	<u>432,793</u>
MISCELLANEOUS EXPENSES		
Dues and subscriptions	32,851	36,066
Travel, meetings and training	14,376	36,252
Purchased media	69,138	118,982
Environmental clean-up costs	5,459	67,201
Other miscellaneous expenses	<u>107,632</u>	<u>98,168</u>
Total Miscellaneous Expenses	<u>229,456</u>	<u>356,669</u>
Total Expenses before Depreciation	21,703,916	19,995,710
DEPRECIATION	<u>3,245,958</u>	<u>3,171,901</u>
TOTAL EXPENSES	<u>\$24,949,874</u>	<u>\$23,167,611</u>

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

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATIONS		
Receipts from transit customers	\$ 8,030,950	\$ 7,324,328
Payments to suppliers and vendors	(5,105,443)	(5,876,430)
Payments to employees/benefits	<u>(15,291,126)</u>	<u>(14,414,070)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(12,365,619)</u>	<u>(12,966,172)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	7,491,840	16,067,755
Non-transportation revenue, including advertising, rental and miscellaneous	378,099	423,058
Taxes levied by Santa Barbara County	<u>865,663</u>	<u>832,695</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>8,735,602</u>	<u>17,323,508</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(364,996)	\$ (998,466)
State of California Prop 1B grant advance	240,563	2,403,092
Federal, state and local capital grants received	<u>963,664</u>	<u>37,291</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>839,231</u>	<u>1,441,917</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of over 90-day certificates of deposit	-	(4,000,000)
Over 90-day certificates of deposit matured	2,000,000	3,054,547
Interest earned	<u>77,989</u>	<u>95,456</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>2,077,989</u>	<u>(849,997)</u>
NET INCREASE IN CASH AND EQUIVALENTS	(712,797)	4,949,256
CASH AND EQUIVALENTS		
Beginning of year	<u>8,487,168</u>	<u>3,537,912</u>
End of year	<u>\$ 7,774,371</u>	<u>\$ 8,487,168</u>
Cash and equivalents	\$ 5,128,311	\$ 6,084,076
Cash restricted for capital support	<u>2,646,060</u>	<u>2,403,092</u>
TOTAL CASH AND EQUIVALENTS	<u>\$ 7,774,371</u>	<u>\$ 8,487,168</u>

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

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Reconciliation of operating loss to net cash provided (used) by operating activities		
Operating loss	\$ (16,981,934)	\$ (15,831,083)
Charges to cost of service not requiring current expenditure of cash:		
Depreciation	3,245,958	3,171,901
Loss on disposal of assets	368,338	-
Changes in		
Accounts receivable - excluding grants	(57,355)	62,514
Inventory	124,024	(222,288)
Other current assets	(8,588)	(611)
Accounts payable and accrued liabilities net of capital acquisitions	(194,846)	(18,799)
Compensated absences payable	69,464	27,001
Accrued damage, injury, and employee claims	189,320	(154,807)
Accrued other post employment benefits	<u>880,000</u>	<u>-</u>
 NET CASH USED BY OPERATING ACTIVITIES	 <u>\$ (12,365,619)</u>	 <u>\$ (12,966,172)</u>

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

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1 - REPORTING ENTITY

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

In accordance with the requirements of Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*, the financial statements must present the District (the primary government) and its component units. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements.

Note 2 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the District, the reporting entity. The District accounts for its operations as an enterprise fund. Operating revenues and expenses result from providing transportation services. All other revenues and expenses are reported as nonoperating revenues and expenses. The accounting records of the District are subject to the uniform accounting system for transit districts as set forth by the Federal Transit Authority (FTA) and the State Controller.

The financial statements of the District are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The District receives capital grants from certain governmental agencies to be used for various purposes connected with the planning, modernization, and expansion of transportation facilities and equipment. In fiscal 2003, the District adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which requires capital grants to be reported as revenue rather than contributed capital. The amount recorded as capital grant revenue in fiscal 2009 and 2008 were \$1,977,286 and \$998,466, respectively.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The District accrues for vested vacation pay when it is earned by employees. The amount of vested vacation pay accrued as of June 30, 2009 and 2008 was approximately \$709,364 and \$667,359, respectively.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain reclassifications have been made to the prior year's financial statements to conform with the 2009 presentation (See Note 17).

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3 - DEPOSITS AND INVESTMENTS

At June 30, 2009 and 2008, the composition of cash deposits consisted of petty cash and change funds, money market accounts, and certificates of deposit as follows:

	<u>2009 Fair</u> <u>Value</u>	<u>2008 Fair</u> <u>Value</u>
Cash deposits		
Money market accounts	\$ 2,059,529	\$ 4,038,176
Prop 1 B-OHS savings	240,563	-
Prop 1B-PTMISEA savings	2,405,497	2,403,092
Local Agency Investment Fund (LAIF)	3,000,000	-
Certificates of deposit		
Under 90 day	-	2,000,000
Over 90 days	-	2,000,000
Total cash deposits	7,705,589	10,441,268
Petty cash and change funds	68,782	45,900
Total Fair Value	<u>\$ 7,774,371</u>	<u>\$10,487,168</u>

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the District's exposure to custodial credit risk for deposits, except that the California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. All of the District's funds are held in two financial institutions, Santa Barbara Bank and Trust (Bank) and the State of California's Local Agency Investment Fund (LAIF). All of these funds are collateralized. The Bank funds are collateralized by the Bank's trust department but not in the District's name. The District does not have a formal investment policy. As of June 30, 2009 the District had \$2,646,060 of cash restricted for use in acquiring seven buses and a security system for the District facility.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 4 - CAPITAL ASSETS

Changes in transit operating property during the years ended June 30, 2009 and 2008, are as follows:

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Reclassi- fications</u>	<u>Disposals</u>	<u>June 30, 2009</u>
Land*	\$ 5,596,297	\$ -	\$ -	\$ -	\$ 5,596,297
Buildings	12,381,234	7,491	-	(21,126)	12,367,599
Buses	30,162,787	1,831,948	18,045	(183,802)	31,828,978
Other equipment	3,344,699	129,100	(260)	(66,207)	3,407,331
Work in process*	407,153	8,747	(386,224)	-	29,676
Research and development	<u>386,489</u>	<u>-</u>	<u>-</u>	<u>(226,652)</u>	<u>159,837</u>
	<u>\$ 52,278,659</u>	<u>\$ 1,977,286</u>	<u>\$ (368,439)</u>	<u>\$ (497,787)</u>	<u>\$ 53,389,718</u>
	<u>July 1, 2007</u>	<u>Additions</u>	<u>Reclassi- fications</u>	<u>Disposals</u>	<u>June 30, 2008</u>
Land*	\$ 5,596,297	\$ -	\$ -	\$ -	\$ 5,596,297
Buildings	12,309,199	72,036	-	-	12,381,234
Buses	31,318,263	532,372	25,311	(1,713,160)	30,162,787
Other equipment	3,167,518	343,185	329	(166,333)	3,344,699
Work in process*	381,919	87,456	(62,222)	-	407,153
Research and development	<u>386,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>386,489</u>
	<u>\$ 53,159,685</u>	<u>\$ 1,035,049</u>	<u>\$ (36,582)</u>	<u>\$(1,879,493)</u>	<u>\$ 52,278,659</u>

* Capital assets not being depreciated

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 5 - PROPERTY TAX CALENDAR

Taxes, including homeowners' property tax relief, are remitted from the County Tax Collector. Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1	
Levy Date	July 1 to June 30	
Due Date	November 1	(1st installment)
	February 1	(2nd installment)
Delinquent Date	December 10	(1st installment)
	April 10	(2nd installment)

Under California Law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the District based on complex formulas prescribed by the state statutes.

Note 6 - UNRESTRICTED NET ASSETS

The majority of unrestricted net assets represent excess Transportation Development Act revenue received. Pursuant to Section 6634 of the California Administrative Code - Transportation Development Act, a transit claimant is precluded from receiving monies from the Local Transportation Fund and State Transit Assistance Fund in an amount which exceed that claimant's capital and operating costs, less the required fares, local support, and the amount received during the year from a city or county to which the operator provides service beyond its boundaries. The District receives its TDA allocation for the next fiscal year in February of the preceding year. The District's fiscal year extends from July to June. The District is required to submit its claim for the subsequent year by April 1st. As such, the claim is based on the District's draft budget for the coming year. As a result, actual operating expenditures and capital acquisitions tend to vary resulting in the aforementioned unrestricted net assets, formerly known as deferred credits. The funds provide working capital (cash flow) to the District throughout the year and act as a reserve for any unexpected events. Additionally, there is \$2,646,060 included in unrestricted net assets as of June 30, 2009 representing prefunding of a grant from the State of California for the acquisition of seven buses and a security system for the District facility (see note 3).

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7 - NET ASSETS INVESTED IN CAPITAL ASSETS

An analysis of the net assets invested in capital assets is as follows:

	<u>2009</u>	<u>2008</u>
State and local grants		
Local Transportation Fund (SB 325)	\$ 2,489	\$ 37,290
State Transit Assistance Fund (SB 620)	566,330	961,176
Federal grants		
FTA Section 5307 - capital grant	1,194,720	-
Miscellaneous grants	<u>213,747</u>	<u>-</u>
Net grants received	1,977,286	998,466
Less: Accumulated depreciation expense - current	(3,245,958)	(3,171,901)
Less: Grant equity on disposal of assets	(866,225)	(1,879,493)
Add: Accumulated depreciation on disposal of assets	<u>468,859</u>	<u>1,871,211</u>
Net change in capital grants	(1,666,038)	(2,181,717)
Balance, July 1	<u>30,260,838</u>	<u>32,442,555</u>
Balance, June 30	<u>\$ 28,594,800</u>	<u>\$ 30,260,838</u>

An analysis of the capital funding is as follows:

State and local grants		
Local Transportation Fund (SB 325)	\$ 10,713,520	\$ 11,412,704
State Transit Assistance Fund (SB 620)	10,411,911	9,880,632
Federal grants		
FTA Section 5307	21,784,699	20,593,519
FTA Section 5309	7,040,627	7,042,558
FTA Section 5312	42,512	63,588
District capital	129,329	129,329
Miscellaneous grants	2,270,490	2,159,697
CalStart grant	<u>996,631</u>	<u>996,631</u>
Total Capital Funding	53,389,719	52,278,658
Less: Accumulated depreciation expense	<u>(24,794,919)</u>	<u>(22,017,820)</u>
Net Assets Invested in Capital Assets	<u>\$ 28,594,800</u>	<u>\$ 30,260,838</u>

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8 - TRANSPORTATION DEVELOPMENT ACT FUNDING AND ALLOCATIONS

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

	<u>2009</u>	<u>2008</u>
Funding		
Local Transportation Fund (SB 325)	\$ 6,172,289	\$ 6,825,407
State Transit Assistance Fund (SB 620)	<u>566,330</u>	<u>961,175</u>
	<u>6,738,619</u>	<u>7,786,582</u>
Usage		
Operations	5,234,481	5,764,897
Capital projects	<u>568,820</u>	<u>988,466</u>
	<u>5,803,301</u>	<u>6,753,363</u>
Net Increase in Net Assets	<u>\$ 935,318</u>	<u>\$ 1,033,219</u>

Note 9 - FEDERAL GRANTS AND REIMBURSEMENTS

Federal grants and reimbursements for the year ended June 30:

	<u>2009</u>	<u>2008</u>
FTA		
Operating grants	\$ 4,533,269	\$ 4,390,404
Capital grants	<u>1,194,720</u>	<u>-</u>
Total	<u>\$ 5,727,989</u>	<u>\$ 4,390,404</u>

Note 10 - RECEIVABLES

Grants receivable at June 30, 2009 and 2008, are summarized as follows:

	<u>2009</u>	<u>2008</u>
Federal Transit Administration - Section 5307	\$ 5,558,286	\$ 82,209
Local Transportation Fund (SB 325)	544,159	-
State Transit Assistance (SB 620)	<u>566,330</u>	<u>961,176</u>
	<u>\$ 6,668,775</u>	<u>\$ 1,043,385</u>

Other receivables are as follows:

Trade receivables	<u>\$ 273,639</u>	<u>\$ 216,284</u>
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SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11 - SICK PAY

Accrued sick pay is summarized as follows:

	<u>2009</u>	<u>2008</u>
Total accrued sick pay	\$ 1,394,156	\$ 1,305,841
Amount of sick pay vested, in accordance with the union agreement, and recorded on the financial statements	<u>359,066</u>	<u>331,606</u>
	<u>\$ 1,035,090</u>	<u>\$ 974,235</u>

Note 12 - RETIREMENT PLANS

Two employee groups are covered:

<u>Employee Group</u>	<u>Plan names</u>	<u>2009 Cost</u>	<u>2008 Cost</u>
1. Union	Teamsters	\$ 1,008,728	\$ 934,047
2. Non-Union	Profit-Sharing and Salary Deferral Plan and Trust, and Money Purchase Pension Plan and Trust	<u>220,782</u>	<u>205,087</u>
		<u>\$ 1,229,510</u>	<u>\$ 1,139,134</u>

TEAMSTERS PENSION PLAN

This plan covers union employees and is a "cost sharing" plan. The District's total payroll in fiscal year 2009 was \$9,699,117 and the District's contributions were based upon a payroll of \$7,729,113 for union employees. In fiscal year 2008 the District's payroll was \$9,287,940 and the District's contributions were based upon a payroll of \$7,441,514 for union employees. The District was required to contribute \$3.02 per work hour, up to a maximum of 173 work hours per month, per union employee in fiscal year 2009. In fiscal year 2008 the contribution rate was \$2.86. Total pension hours was \$332,633 in fiscal year 2009, and 327,242 in fiscal year 2008. Since the District is not involved with the operations or administration of the Teamsters Pension Plan, information relating to any funding liability is not available. It can be obtained through Southwest Administrators.

PROFIT-SHARING AND SALARY DEFERRAL PLAN AND TRUST

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

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).

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12 - RETIREMENT PLANS (continued)

The District's contributions were based upon a fiscal year 2009 payroll of \$2,207,823 for non-union employees. The District contributed \$220,782 (10% of covered payroll) and covered employees contributed \$196,310 (8.9% of covered payroll).

The District's contributions were based upon a fiscal year 2008 payroll of \$2,051,941 for non-union employees. The District contributed \$205,087 (10% of covered payroll) and covered employees contributed \$177,114 (8.6% of covered payroll).

Note 13 - RISK MANAGEMENT

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

The District has Self-Insured Retention policies with general liability coverage of \$10 million on any one claim, including self-insured amounts per claim as follows:

April 1, 1995 to March 31, 2001 \$250,000

April 1, 2001 to March 31, 2002 \$100,000

April 1, 2002 to March 31, 2009 \$250,000

The District has elected to self-insure its obligations for workers' compensation claims. The District has insurance from outside carriers for individual claims in excess of \$500,000 for 2003, with a \$5 million limit on any one claim. As of January 1, 2004, the District increased the amount of that is self insured to \$1.5 million, with a \$10 million limit on any one claim. As of January 1, 2005 the District joined CSAC Excess Insurance Authority and decreased self-insurance by the District to \$500,000 with a limit of \$200 million limit on any one claim.

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

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

	<u>2009</u>	<u>2008</u>
Claims liability - beginning of year	\$ 1,203,957	\$ 1,358,764
Claims and changes in estimates	887,587	346,919
Actual claim payments	<u>(698,267)</u>	<u>(501,726)</u>
Claims liability - end of year	<u>\$ 1,393,277</u>	<u>\$ 1,203,957</u>

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 14 - COMMITMENTS

Paratransit Service

The District is required under Federal law, the Americans with Disabilities Act of 1990 (ADA), to ensure that complementary paratransit service is available wherever and whenever the District provides fixed-route bus service. The District complies with this requirement by partially subsidizing the paratransit service provided by Easy Lift Transportation. The District signed a contract with Easy Lift in March 2003, which was amended in June 2007, for these services. Either party can terminate this agreement within 120 days of year end.

For fiscal year 2010, the District has agreed to provide Easy Lift a subsidy of \$574,411 for the paratransit services. The amount is to be adjusted by mutual consent if the District requests an adjustment in the amount of paratransit service to be provided, and the contract can be extended up to and including June 30, 2010. If for any reason, Easy Lift were to fail to provide the required ADA paratransit service, the District would continue to be responsible for the service under Federal law. The District would be required to implement a replacement service on very short notice, at a cost that would likely exceed the current subsidy.

Bus Tire Lease

The District has a contract with the Goodyear Tire & Rubber Company (Goodyear) to furnish the District with a sufficient quantity of tires to keep all vehicles fully equipped and to provide a reserve supply, at a maximum level determined by Goodyear, as spare stock inventory to be mounted on rims and kept in the District's garage for use in case of emergency. The District provides Goodyear with mileage for each vehicle in its fleet on a monthly basis and is billed in accordance with its agreement. Both parties have the option to terminate this agreement with 30-days notice. The rate per tire increases by an agreed upon percentage annually. For fiscal year 2009, the rate paid by the District is as follows:

(Rate per vehicle multiplied by miles traveled)

Group A =	\$0.035718
Group A (MCI) =	\$0.047624
Group C =	\$0.046590

The contractual amounts for fiscal year 2010 are:

Group A =	\$0.036790
Group A (MCI) =	\$0.049053
Group C =	\$0.047987

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 15 - CONTINGENCIES

Federal Grant Contracts

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

Note 16 - DEFINED BENEFIT POSTEMPLOYMENT HEALTH BENEFIT PLAN

Plan Descriptions

The District provides postretirement health benefits in the form of:

- Monthly contributions towards the retiree's health plan premium for eligible union retirees (currently \$285 per month); and
- Full medical and dental cost of insurance coverage for eligible staff retirees and their dependents.

Benefits for both union and non-union retirees are provided by Pacificare group plan.

Funding Policy and Annual OPEB Cost

The Plan is funded on a pay-as-you-go basis. The District uses a June 30 measurement date and an assumed annual interest rate of 5.0 percent.

The District's annual other postemployment benefit (OPEB) cost (expense) for the Plan is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the normal cost and amortization of unfunded actuarial liabilities over 30 years.

The District's annual OPEB cost for the fiscal year ending June 30, 2009 and related information are as follows:

Annual required contribution	\$ 1,017,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>1,017,000</u>
Contributions made	<u>(137,000)</u>
Increase in net OPEB obligation	880,000
Net OPEB obligation (asset) beginning of year	-
Net OPEB obligation (asset) end of year	<u>\$ 880,000</u>

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 16 - DEFINED BENEFIT POSTEMPLOYMENT HEALTH BENEFIT PLAN (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending 2009, the first year of implementation, were as follows:

<u>Year</u> <u>Ended</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost</u>	<u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/09	\$ 1017,000	13.5%	\$ 880,000

Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2009, was as follows:

Actuarial accrued liability (a)	\$ 11,166,000
Actuarial value of plan assets (b)	<u>-</u>
Unfunded actuarial accrued liability (funding excess) (a) - (b)	<u>\$ 11,166,000</u>
Funded ratio (b) / (a)	0 %
Covered payroll (c)	\$ 10,617,000
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((a) - (b)) / (c)	105.2 %

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial review and analysis of OPEB liability and funding status is performed every two years, or annually if there are significant changes in the plan. Because this is the first year of implementation the study will not normally be done again for two years. As a result, the above funding progress is only available for the one year.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 16 - DEFINED BENEFIT POSTEMPLOYMENT HEALTH BENEFIT PLAN (continued)

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the Plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	6/30/2009
Actuarial cost method	Entry Age
Amortization method	Level percentage of pay
Remaining amortization period	Open 30 years
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increase	3.25%
Healthcare inflation rate	
Initial	10%
Ultimate, # of years	5.0% after 7 years

Postemployment Healthcare Plan Schedule of Funding Progress

The following Schedule of Funding Progress shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The interest rate is 5% and the salary scale is 3.25% for both periods. (Amounts in thousands of dollars).

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
Estimated	7/1/2008	\$0	\$10,192	\$10,192	\$0	\$10,283	99.1%
Actual	7/1/2009	\$0	\$11,166	\$11,166	\$0	\$10,617	105.2%

Actuarial review and analysis of OPEB liability and funding status is performed every two years, or annually if there are significant changes in the plan. Because this is the initial actuarial study, the next scheduled actuarial study for the District will be in two years. As a result, funding progress is available for the current year, with an estimate for the prior year, as opposed to three years of historical information.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 17 - RESTATEMENT

The June 30, 2008 financial statements have been reclassified to conform with GASB 33. The July 1, 2007 deferred credits amount has been reclassified on the statements of revenue, expenses and changes in net assets to unclassified net assets increasing it by \$6,390,701. Additionally, the nonoperating revenue grant amounts were increased to include capital grants of \$4,416,593, as well as eliminating the transfer of \$3,171,901 of depreciation expense. These amounts were included in the decrease in capital grants line of \$2,181,717 previously which has been eliminated. The overall change is an increase in net assets and decrease in deferred credits of \$9,817,013.

DRAFT

MTD Report to Santa Barbara on City-Assisted Services

**Monthly Report
November 2009**

Prepared by the

Santa Barbara Metropolitan Transit District
Strategic Planning



December 10, 2009

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MTD Report to Santa Barbara on City-Assisted Services November 2009 Monthly Report

The City of Santa Barbara provides funding to the Santa Barbara Metropolitan Transit District (MTD) to assist in supporting several MTD bus routes. This report, prepared pursuant to Agreements No. 22,278.1 and No. 23,135, provides the City with data regarding MTD shuttle services in Santa Barbara, MTD South Coast Transit Priorities routes supported by the City, and core MTD routes assisted by the City through the Enhanced Transit Program.

MTD RIDERSHIP & REVENUE HOURS

Table 1 presents the ridership of each City-assisted MTD route for November 2009 and for fiscal year (FY) 2009 to date. (The MTD fiscal year runs from July 1 through June 30.) The table also presents ridership for the corresponding periods of the previous fiscal year, as well as the percent change in ridership over the previous year. November 2009 had 19 weekday service days and 10 weekend service days, and November 2008 had 18 weekday service days and 11 weekend service days. (MTD does not operate on Thanksgiving Day.)

TABLE 1
MTD Routes Assisted by Santa Barbara - Ridership

Line	Current Month		Fiscal Year to Date		Percent Change	
	FY 2010 Nov 2009	FY 2009 Nov 2008	FY 2010 Jul-Nov	FY 2009 Jul-Nov	Current Month	FY To Date
Shuttle Services						
DWE - State Street	26,865	27,408	208,666	219,889	-2.0%	-5.1%
DWE - East Beach	4,188	4,020	42,126	43,574	4.2%	-3.3%
DWE - West Beach	1,624	1,616	17,313	17,372	0.5%	-0.3%
<i>Downtown-Waterfront Total</i>	<i>32,677</i>	<i>33,044</i>	<i>268,105</i>	<i>280,835</i>	<i>-1.1%</i>	<i>-4.5%</i>
Carrillo Commuter Lot	1,555	1,268	8,462	8,561	22.6%	-1.2%
South Coast Transit Priorities						
Crosstown Shuttle	12,607	10,344	71,728	64,809	21.9%	10.7%
4 - Mesa/SBCC	13,326	10,340	68,897	63,453	28.9%	8.6%
Enhanced Transit Program						
1 - Westside	41,181	42,289	214,131	246,564	-2.6%	-13.2%
2 - Eastside	59,098	60,652	314,559	337,625	-2.6%	-6.8%
<i>Lines 1 & 2 Total</i>	<i>100,279</i>	<i>102,941</i>	<i>528,690</i>	<i>584,189</i>	<i>-2.6%</i>	<i>-9.5%</i>
6 - State/Hollister/Goleta	65,862	67,513	352,175	368,913	-2.4%	-4.5%
11 - State/Hollister/UCSB	81,621	80,310	429,694	467,990	1.6%	-8.2%
<i>Lines 6 & 11 Total</i>	<i>147,483</i>	<i>147,823</i>	<i>781,869</i>	<i>836,903</i>	<i>-0.2%</i>	<i>-6.6%</i>
3 - Oak Park	26,261	25,316	146,214	151,311	3.7%	-3.4%

Source: Santa Barbara Metropolitan Transit District.

There are several factors that have contributed to an overall decrease in travel in recent months when compared to the same month of the previous year. These include: the depressed economy, which has led to a reduction both in commute trips and other trips; decreased tourism to the area; MTD's January 2009 fare increase; the decreased price of gasoline; and an increase in the use of various measures such as carpooling, flex schedules, and compressed workweeks.

MTD experienced a significant ridership spike during much of 2008, due to the increased cost of gasoline at that time. With the decreased fuel prices that have followed, as well as the other factors mentioned above, MTD ridership has returned to more typical rates. This can be seen in an examination of MTD's five-year ridership trend.

Table 2 shows the number of revenue hours that MTD operated on each City-assisted route in November 2009 and for fiscal year 2009 to date, along with corresponding data from the previous fiscal year for comparison. The table also presents ridership per revenue hour for each route for the current month and the corresponding month of the previous fiscal year.

TABLE 2
MTD Routes Assisted by Santa Barbara - Revenue Hours

Line	Current Month		Fiscal Year to Date		Riders per Hour	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
	Nov 2009	Nov 2008	Jul-Nov	Jul-Nov	Nov 2009	Nov 2008
Shuttle Services						
DWE - State Street	832	840	5,121	5,044	32.3	32.6
DWE - East Beach	155	155	1,260	1,225	27.0	25.9
DWE - West Beach	77	77	591	574	21.1	21.0
<i>Downtown-Waterfront Total</i>	<i>1,064</i>	<i>1,072</i>	<i>6,972</i>	<i>6,843</i>	<i>30.7</i>	<i>30.8</i>
Carrillo Commuter Lot	95	87	528	506	16.4	14.6
South Coast Transit Priorities						
Crosstown Shuttle	555	526	3,094	3,080	22.7	19.7
4 - Mesa/SBCC	318	301	1,773	1,679	41.9	34.4
Enhanced Transit Program						
1 - Westside	757	741	4,091	4,059	54.4	57.1
2 - Eastside	1,274	1,241	6,906	6,855	46.4	48.9
<i>Lines 1 & 2 Total</i>	<i>2,031</i>	<i>1,982</i>	<i>10,997</i>	<i>10,914</i>	<i>49.4</i>	<i>51.9</i>
6 - State/Hollister/Goleta	1,451	1,436	7,631	7,615	45.4	47.0
11 - State/Hollister/UCSB	1,876	1,857	9,955	10,012	43.5	43.2
<i>Lines 6 & 11 Total</i>	<i>3,327</i>	<i>3,293</i>	<i>17,586</i>	<i>17,627</i>	<i>44.3</i>	<i>44.9</i>
3 - Oak Park	884	856	4,831	4,800	29.7	29.6

Source: Santa Barbara Metropolitan Transit District.

Shuttle Services

The City provides a fare-buydown subsidy to MTD for clean and quiet 22-ft. electric shuttle services to meet downtown Santa Barbara traffic-reduction goals.

- *Downtown-Waterfront Shuttle.* The Downtown service operates along State Street from Sola Street to Cabrillo Boulevard, and the Waterfront service operates along Cabrillo Boulevard from the harbor to the zoo. The one-way fare is \$0.25. Transfers between State Street and the Waterfront are free.
- *Carrillo Lot Shuttle.* Weekday peak-period service subsidized by the City as an incentive to attract downtown employees to park in the Carrillo commuter lot. The service is free for commuter lot parkers and \$0.25 for other riders.

Downtown-Waterfront Shuttle

As shown in Table 1, total ridership on the Downtown-Waterfront Shuttle decreased from 33,044 passengers in November 2008 to 32,677 in November 2009. Ridership decreased on State Street and increased on the Waterfront. Unlike most public transit services, ridership on the Downtown-Waterfront Shuttle tends to be greater on weekends than on weekdays. Thus, a portion of the decrease is undoubtedly due to one fewer weekend day in November 2009 compared to November 2008. Table 2 shows that total revenue hours operated on the Downtown-Waterfront Shuttle decreased slightly from 1,072 in November 2008 to 1,064 in November 2009. Riders per hour were nearly unchanged, with 30.8 in November 2008 and 30.7 in November 2009. The service generated \$7,260.75 in fare revenue in November 2008, and decreased to \$7,123.75 in November 2009.

Downtown-Waterfront Shuttle Ten-Year Trend

Tables 3A, 3B, and 3C present ten-year combined Downtown-Waterfront Shuttle trends in ridership, revenue hours, and passengers per revenue hour, respectively. The tables show that, over the entire ten-year period, annual ridership has decreased while annual revenue hours have remained relatively constant. However, the most recent several years have shown less variation in ridership.

The primary market for the Downtown-Waterfront Shuttle differs from that for a typical public transportation service. In general terms, the primary market for this shuttle service is tourists and local residents who are shopping, dining, sightseeing, or enjoying other recreational activities downtown and on the waterfront. Thus, shuttle ridership is heavily dependent on the convenience of the service and on the number of persons spending leisure time in these areas. Some factors affecting ridership on the service are discussed below.

Traffic Congestion

The time required to complete a trip on the Downtown-Waterfront Shuttle has increased over time as traffic congestion has worsened. A round trip on the State Street portion of the service (i.e., from the Dolphin Fountain to Sola Street and back to the Dolphin Fountain), for example, formerly required from 30 to 35 minutes, depending on the season and the time of day. Now, a round trip requires up to 45 minutes at peak times.

TABLE 3A: Downtown-Waterfront Shuttle Ridership

Month	Fiscal Year										
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Jul.	102,746	97,492	95,727	72,007	78,586	73,895	76,499	73,310	75,727	77,887	78,777
Aug.	97,141	93,566	81,304	72,465	79,726	70,693	71,631	66,978	70,257	82,138	71,549
Sep.	64,788	69,886	57,988	47,600	47,203	48,519	45,410	47,491	45,967	46,286	48,034
Oct.	60,600	53,163	37,818	40,072	45,430	38,690	38,797	36,864	39,422	41,480	37,068
Nov.	48,765	39,560	30,165	36,240	35,899	32,307	34,528	32,350	33,210	33,044	32,677
Dec.	51,678	46,700	31,026	33,443	31,832	30,376	31,672	30,473	30,298	28,375	
Jan.	44,209	44,252	28,609	38,051	36,212	28,900	33,439	30,698	28,370	33,527	
Feb.	44,036	29,607	29,717	34,602	33,550	28,036	34,767	30,898	30,575	27,233	
Mar.	52,424	44,327	32,001	43,923	40,149	36,855	34,067	35,999	41,274	34,380	
Apr.	64,209	54,134	32,374	41,452	40,536	38,369	37,411	37,436	38,653	40,821	
May	60,669	52,654	37,358	43,085	43,982	44,240	42,861	43,587	43,347	44,631	
Jun.	65,894	70,601	50,499	56,228	53,482	59,501	55,301	59,194	63,083	54,150	
Total	757,159	695,942	544,586	559,168	566,587	530,381	536,383	525,278	540,183	543,952	

TABLE 3B: Downtown-Waterfront Shuttle Revenue Hours

Month	Fiscal Year										
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Jul.	1,696	1,720	1,838	1,777	1,786	1,754	1,786	1,586	1,682	1,785	1,791
Aug.	1,605	1,646	1,807	1,772	1,801	1,704	1,702	1,615	1,673	1,806	1,765
Sep.	1,338	1,312	1,192	1,279	1,227	1,225	1,214	1,173	1,192	1,086	1,237
Oct.	1,280	1,214	1,104	1,254	1,235	1,137	1,139	1,114	1,122	1,093	1,114
Nov.	1,090	1,098	973	1,128	1,114	1,062	1,058	1,042	1,070	1,072	1,064
Dec.	1,261	1,427	1,141	1,150	1,123	1,084	1,082	1,067	1,105	1,076	
Jan.	1,128	1,130	1,018	1,168	1,176	1,146	1,140	1,119	1,128	1,135	
Feb.	1,110	1,085	994	1,062	1,102	1,026	1,035	1,011	1,043	1,013	
Mar.	1,108	1,145	1,028	1,176	1,128	1,119	1,126	1,113	1,121	1,109	
Apr.	1,192	1,324	1,067	1,182	1,060	1,093	1,109	1,079	1,062	1,065	
May	1,268	1,589	1,181	1,349	1,190	1,227	1,193	1,234	1,297	1,342	
Jun.	1,391	1,638	1,456	1,520	1,655	1,646	1,432	1,685	1,705	1,715	
Total	15,467	16,328	14,799	15,817	15,597	15,223	15,016	14,838	15,200	15,297	

TABLE 3C: Downtown-Waterfront Shuttle Passengers per Hour

Month	Fiscal Year										
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Jul.	60.6	56.7	52.1	40.5	44.0	42.1	42.8	46.2	45.0	43.6	44.0
Aug.	60.5	56.8	45.0	40.9	44.3	41.5	42.1	41.5	42.0	45.5	40.5
Sep.	48.4	53.3	48.6	37.2	38.5	39.6	37.4	40.5	38.6	42.6	38.8
Oct.	47.3	43.8	34.3	32.0	36.8	34.0	34.1	33.1	35.1	38.0	33.3
Nov.	44.7	36.0	31.0	32.1	32.2	30.4	32.6	31.0	31.0	30.8	30.7
Dec.	41.0	32.7	27.2	29.1	28.3	28.0	29.3	28.6	27.4	26.4	
Jan.	39.2	39.2	28.1	32.6	30.8	25.2	29.3	27.4	25.2	29.5	
Feb.	39.7	27.3	29.9	32.6	30.4	27.3	33.6	30.6	29.3	26.9	
Mar.	47.3	38.7	31.1	37.3	35.6	32.9	30.3	32.3	36.8	31.0	
Apr.	53.9	40.9	30.3	35.1	38.2	35.1	33.7	34.7	36.4	38.3	
May	47.8	33.1	31.6	31.9	37.0	36.1	35.9	35.3	33.4	33.3	
Jun.	47.4	43.1	34.7	37.0	32.3	36.1	38.6	35.1	37.0	31.6	
Avg.	49.0	42.6	36.8	35.4	36.3	34.8	35.7	35.4	35.5	35.6	

Source: Santa Barbara Metropolitan Transit District.

Because MTD operates the same number of vehicles and approximately the same number of revenue hours annually, the number of trips provided during a typical day has decreased due to the increase in congestion and in the time required for each trip. *Thus, over the ten-year period, the travel time has increased and the frequency of service has decreased.* These factors make the service less appealing, and undoubtedly account for some of the decrease in riders over time.

Service Disruptions due to State Street Pedestrian Improvements

Between 1999 and 2007, the City Redevelopment Agency installed new brick sidewalks, updated street furniture, and enhanced landscaping on State Street between Gutierrez and Victoria Streets. These improvements, which were constructed in four phases, improved pedestrian amenities and helped to revitalize the State Street corridor. However, closures of portions of State Street during construction of the improvements required the Downtown-Waterfront Shuttle to detour to Chapala and Anacapa Streets. The State Street service was much less convenient during these detours, which likely contributed to the general decrease in ridership during the 10-year period.

Tourism

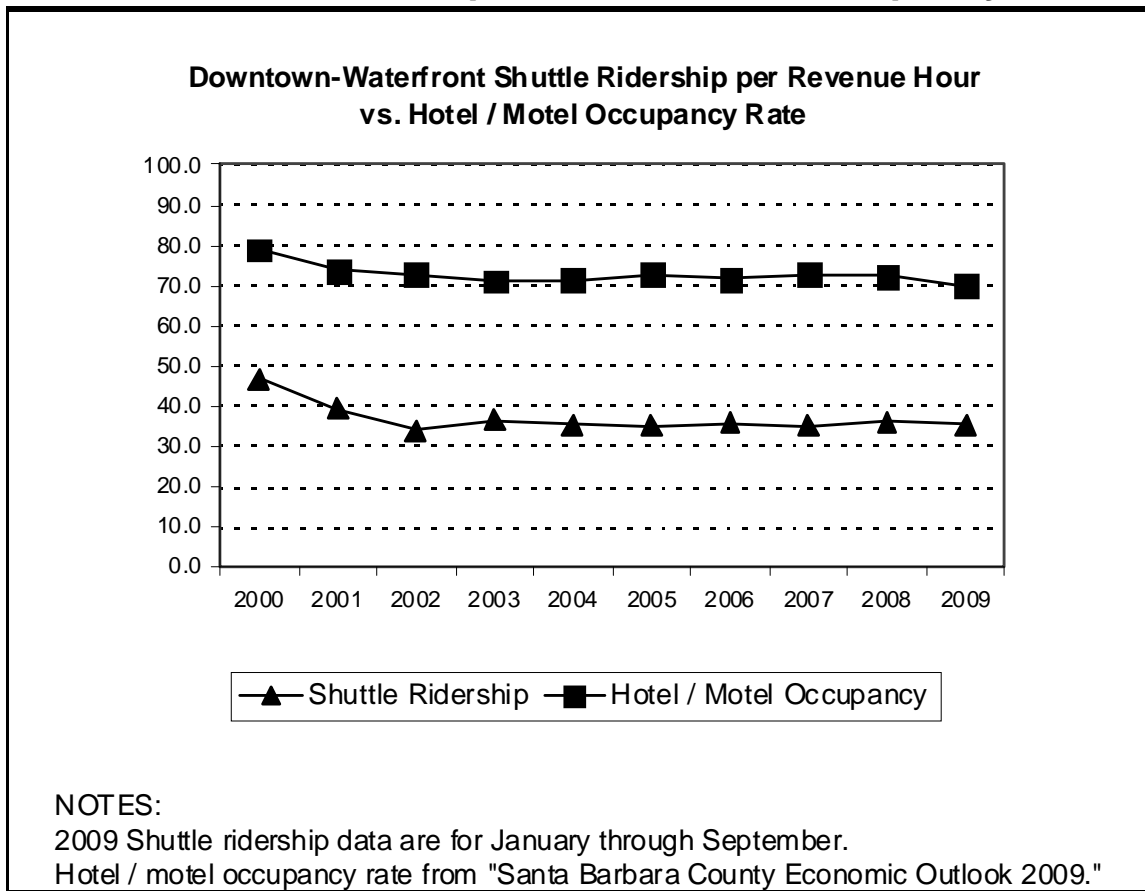
The Downtown-Waterfront Shuttle (DWE) is quite popular with tourists, and a change in the number of visitors to Santa Barbara's downtown and waterfront areas has a major impact on ridership. Annual lodging occupancy rates, shown in Figure 1, are a good indicator of annual changes in the number of tourists visiting the area.

The figure presents average annual hotel / motel occupancy rates for the period from 2000 to 2009 from the *Santa Barbara County Economic Outlook 2009* (Table 20, p. 441), and average annual Downtown-Waterfront Shuttle ridership per revenue hour for the same period. (In order to match the occupancy data, shuttle ridership and revenue hour data used to calculate ridership per hour for this discussion are for calendar years rather than fiscal years.)

As the figure shows, the two measures have similar trend lines. By far the greatest decrease in both ridership and hotel / motel occupancy occurred between 2000 and 2002, following the terrorist attacks of September 11, 2001. A comparison of month-by-month ridership (Table 3A) reveals that for 12 of the 13 months beginning September 2001, ridership significantly decreased compared to the same month of the previous year. Neither the lodging occupancy rate nor shuttle ridership has returned to pre-9/11 levels.

The factors discussed above (increased traffic congestion, service disruptions, and decreased tourism) have undoubtedly contributed to the general decrease in ridership on the Downtown-Waterfront Shuttle over the ten-year period. MTD staff will continue marketing efforts to increase ridership.

FIGURE 1
Calendar Years 2000 Through 2009
Shuttle Ridership & Hotel / Motel Occupancy



Source: Santa Barbara Metropolitan Transit District.

Downtown-Waterfront Shuttle Marketing & Public Information

- Passenger information cards with detachable perforated pocket-sized schedules are distributed at 36 locations along the route, including lodging establishments and the Visitors' Center.
- MTD staff attends Cabrillo Boulevard and State Street hotel staff meetings to conduct individualized marketing regarding the Downtown-Waterfront Shuttle.
- The shuttle route is featured in all "Santa Barbara Car Free" collateral. Flyers are available on all Amtrak Surfliner trains.
- The "Santa Barbara Car Free" brochure for the MTD's Line 22 service to "Santa Barbara's Highlights" features the Downtown-Waterfront Shuttle as a connection from the beach to Line 22.
- The Downtown-Waterfront Shuttle route is featured on the map in the explore section of Santa Barbara Seasons magazine.
- Partnership website links are provided by "Santa Barbara Car Free," Amtrak, the Santa Barbara Conference & Visitors Bureau and Film Commission, and the Downtown Organization.

- The Downtown-Waterfront Shuttle route is featured in the “Cultural Arts” brochure produced by the Downtown Organization.
- MTD is an active member of the Santa Barbara Conference & Visitors Bureau and Film Commission, the Santa Barbara Downtown Organization, and the Santa Barbara Region Chamber of Commerce, and works with these organizations to publicize the shuttle.
- All Downtown-Waterfront Shuttle vehicles display City of Santa Barbara seals.
- Amtrak passengers can request two free MTD transfers from the conductor. Caltrans pays MTD for the transfers after they are used.

Carrillo Commuter Lot Shuttle

As shown in Table 1, Carrillo Lot Shuttle ridership increased from 1,268 passengers in November 2008 to 1,555 in November 2009. The service operates on weekday service days only, and operated on 19 days in November 2009 and 18 days in November 2008. Thus, a portion of the increase is due to one additional day of service in November 2009. The shuttle transported an average of 14.6 passengers per revenue hour in November 2008, and increased to 16.4 in November 2009.

The Carrillo commuter parking lot is generally not filled to capacity. MTD staff will continue to monitor the performance of the service and will continue discussions with City Parking staff regarding the monthly variability in ridership.

South Coast Transit Priorities

MTD implemented two new routes within the City of Santa Barbara as part of the South Coast Transit Priorities (SCTP) project:

- *Crosstown Shuttle*. Utilizes clean and quiet 22-ft. electric shuttles to connect the Eastside via Cota Street and the Westside via Micheltorena Street with downtown Santa Barbara. Also serves the Cota Commuter Lot.
- *Line 4 – Mesa/SBCC (formerly called Mesa Loop)*. Utilizes biodiesel in clean-burning 29-ft. buses to connect downtown Santa Barbara and the Mesa via Carrillo Street and Cliff Drive. Also serves Santa Barbara City College.

The SCTP project was initially funded with a federal Congestion Mitigation and Air Quality Improvement (CMAQ) grant awarded to MTD. The CMAQ funds for the two routes are fully expended, and the City is currently subsidizing the operation of the Crosstown Shuttle and Line 4. The City has also provided MTD with capital assistance for new buses for Line 4, and has agreed to provide capital assistance for the Crosstown Shuttle.

Beginning in May 2007, MTD uses a biodiesel blend in all diesel-powered buses. Biodiesel is a renewable fuel manufactured from vegetable oils, animal fats, or recycled cooking oils. There are a number of benefits from the use of biodiesel, including reduced dependence on imported oil, improved engine lubricity, and

reductions in particulate matter, hydrocarbon, carbon monoxide, and greenhouse gas emissions.

Crosstown Shuttle

Following implementation of the Enhanced Transit Program in March 2007 (described below), Crosstown Shuttle ridership decreased compared to the previous year. This was to be expected, as the Crosstown Shuttle is a complementary service to Lines 1 & 2 and the enhanced peak-period service on those lines attracted some riders that previously rode this service. Crosstown Shuttle ridership has begun to recover in recent months.

Table 1 shows that ridership on the Crosstown Shuttle increased from 10,344 riders in November 2008 to 12,607 riders in November 2009. The Crosstown Shuttle operates on weekday service days only, and operated on 19 days in November 2009 and 18 days in November 2008. Thus, a portion of the ridership increase is due to one additional day of service in November 2009.

In recent years, MTD increased the number of revenue hours operated on the Crosstown Shuttle to compensate for the additional time needed to complete a trip due to increased traffic congestion. Although the additional revenue hours increased the cost to MTD, MTD does not bill the City for the additional hours.

As is shown in Table 2, Crosstown Shuttle revenue hours increased from 526 hours in November 2008 to 555 in November 2009. The average number of passengers per hour increased from 19.7 in November 2008 to 22.7 in November 2009.

Tables 4A, 4B, and 4C present monthly ridership, revenue hours, and passengers per hour for the Crosstown Shuttle since the implementation of the service in late July 2001.

Line 4 - Mesa/SBCC

This route was called the Mesa Loop until a reconfiguration and name change in August 2008. MTD implemented Line 4 as a stand-alone route in March 2007. (MTD implemented a small-scale version of the service in September 2003, incorporated into Line 5, which provided a limited number of short "express" Line 5 weekday peak period trips between downtown and the Mesa.)

Line 4 also operates on weekday service days only, and operated on 19 weekdays in November 2009 and 18 weekdays in November 2008. Ridership increased from 10,340 passengers in November 2008 to 13,326 in November 2009. Again, a portion of the increase is due to one additional day of service in November 2009.

The number of revenue hours increased from 301 in November 2008 to 318 in November 2009. The route carried an average of 34.4 riders per revenue hour in November 2008, and increased to 41.9 passengers per hour in November 2009.

TABLE 4A: Crosstown Shuttle Ridership

Month	Fiscal Year								
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Jul.	155	11,614	13,591	13,156	12,944	14,188	13,883	12,878	14,952
Aug.	3,542	11,536	13,420	13,103	14,749	16,169	15,382	12,776	13,291
Sep.	3,800	11,649	14,531	13,978	14,273	13,907	12,247	13,694	14,836
Oct.	5,089	13,795	14,958	14,538	14,152	15,911	14,801	15,117	16,042
Nov.	3,968	11,355	11,088	14,459	13,648	13,625	12,657	10,344	12,607
Dec.	4,490	11,469	12,387	13,286	13,301	12,086	10,298	11,939	
Jan.	7,389	12,626	12,123	13,078	13,367	13,231	11,125	11,342	
Feb.	7,899	11,712	11,347	13,084	12,930	12,503	11,496	11,355	
Mar.	9,544	13,514	13,229	16,241	14,662	14,369	12,457	13,669	
Apr.	10,579	14,228	13,030	14,508	12,727	13,312	13,457	13,557	
May	11,644	14,440	12,532	15,330	15,169	15,052	13,212	12,956	
Jun.	9,947	13,219	12,137	14,788	15,378	13,651	12,271	13,228	
Total	78,046	151,157	154,373	169,549	167,300	168,004	153,286	152,855	

TABLE 4B: Crosstown Shuttle Revenue Hours

Month	Fiscal Year								
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Jul.	47	538	536	536	488	557	595	649	672
Aug.	541	538	512	537	567	647	658	618	611
Sep.	448	488	512	512	559	591	561	615	614
Oct.	561	561	561	512	560	649	679	672	643
Nov.	511	463	439	488	533	591	590	526	555
Dec.	526	512	536	536	586	587	591	614	
Jan.	593	536	512	488	559	620	620	584	
Feb.	489	463	463	463	506	561	590	555	
Mar.	512	512	561	561	613	649	621	643	
Apr.	537	537	536	512	535	620	649	643	
May	536	512	488	512	588	650	620	584	
Jun.	489	513	537	538	589	620	619	643	
Total	5,790	6,173	6,193	6,195	6,683	7,342	7,393	7,346	

TABLE 4C: Crosstown Shuttle Passengers per Hour

Month	Fiscal Year								
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Jul.	3.3	21.6	25.4	24.5	26.5	25.5	23.3	19.8	22.3
Aug.	6.5	21.4	26.2	24.4	26.0	25.0	23.4	20.7	21.8
Sep.	8.5	23.9	28.4	27.3	25.5	23.5	21.8	22.3	24.2
Oct.	9.1	24.6	26.7	28.4	25.3	24.5	21.8	22.5	24.9
Nov.	7.8	24.5	25.3	29.6	25.6	23.1	21.5	19.7	22.7
Dec.	8.5	22.4	23.1	24.8	22.7	20.6	17.4	19.4	
Jan.	12.5	23.6	23.7	26.8	23.9	21.3	17.9	19.4	
Feb.	16.2	25.3	24.5	28.3	25.6	22.3	19.5	20.5	
Mar.	18.6	26.4	23.6	29.0	23.9	22.1	20.1	21.3	
Apr.	19.7	26.5	24.3	28.3	23.8	21.5	20.7	21.1	
May	21.7	28.2	25.7	29.9	25.8	23.2	21.3	22.2	
Jun.	20.3	25.8	22.6	27.5	26.1	22.0	19.8	20.6	
Avg.	13.5	24.5	24.9	27.4	25.0	22.9	20.7	20.8	

Source: Santa Barbara Metropolitan Transit District.

Enhanced Transit Program

During ongoing service evaluations, MTD staff identified various routes with a number of trips that were carrying excessive passenger loads. Bus drivers on these routes were often forced to leave passengers at bus stops because the bus was too full to safely board additional passengers. Beginning in March 2007, the City assisted MTD with funding to enhance service on several core MTD routes to alleviate these overloads:

- *Line 1 - Westside & Line 2 - Eastside.* Utilizes a biodiesel blend in clean-burning 40-ft. buses for enhanced peak-period service to downtown Santa Barbara. Line 1 connects the upper Westside to the San Andres corridor, west Carrillo Street, and downtown. Line 2 connects the lower Eastside to the Milpas Street corridor, east Anapamu Street, and downtown.
- *Line 6 - State/Hollister/Goleta & Line 11 - State/Hollister/UCSB.* Utilizes a biodiesel blend in clean-burning 40-ft. buses for enhanced peak-period service from downtown Santa Barbara to Upper State Street, the Eastern Goleta Valley, the City of Goleta, and the University of California at Santa Barbara (UCSB). Both routes follow State Street from downtown Santa Barbara to Hollister Avenue at Fairview. Line 6 continues along Hollister Avenue to Camino Real Marketplace, while Line 11 turns south on Fairview Avenue and travels to the airport and UCSB. (Santa Barbara County, Goleta, and UCSB also provide financial assistance to MTD for the Lines 6 & 11 enhancement.)
- *Line 3 - Oak Park.* Utilizes a biodiesel blend in clean-burning 29-ft. buses for enhanced weekday service connecting downtown Santa Barbara to Santa Barbara Cottage Hospital, upper State Street, and La Cumbre Plaza, via Bath and Castillo Streets, the Samarkand area, and Las Positas Road.

Line 1 - Westside & Line 2 - Eastside

Lines 1 & 2 were enhanced to provide service every 10 minutes during weekday morning and afternoon peak periods (compared to the previous schedule of every 15 minutes). As shown in Table 1, total combined ridership on Lines 1 & 2 decreased from 102,941 passengers in November 2008 to 100,279 in November 2009. When compared to the November before implementation of the Enhanced Transit Program, Lines 1 & 2 continue to show a significant increase in average daily total and peak period ridership.

Table 2 shows that combined Lines 1 & 2 revenue hours increased from 1,982 hours in November 2008 to 2,031 in November 2009. The average number of riders per revenue hour decreased from 51.9 in November 2008 to 49.4 in November 2009.

Line 6 - State/Hollister/Goleta & Line 11 - State/Hollister/UCSB

Lines 6 & 11 were enhanced to provide alternating service every 10 minutes during weekday morning and afternoon peak periods, from downtown Santa Barbara to Hollister at Fairview (compared to the previous schedule of every 15

minutes). Line 6 continuing to Camino Real Marketplace and Line 11 continuing to the airport and UCSB now run every 20 minutes during weekday peak periods (compared to the previous schedule of every 30 minutes).

Table 1 shows that total combined ridership on Lines 6 & 11 was nearly identical in November 2009 and November 2008, with a very slight decrease from 147,823 riders in November 2008 to 147,483 in November 2009. When compared to the November before implementation of the Enhanced Transit Program, Lines 6 & 11 continue to show a significant increase in average daily total and peak period ridership.

Table 2 presents combined Lines 6 & 11 revenue hours, which increased from 3,293 hours in November 2008 to 3,327 in November 2009. The average number of riders per revenue hour decreased slightly from 44.9 in November 2008 to 44.3 in November 2009.

Line 3 - Oak Park

Line 3 was enhanced to run every 20 minutes all day on weekdays (compared to the previous schedule of every 30 minutes). As shown in Table 1, ridership on Line 3 increased from 25,316 passengers in November 2008 to 26,261 in November 2009. Line 3 ridership continues to reflect an increase in weekday average daily riders over the ridership before implementation of the enhancement.

Line 3 operated 856 revenue hours in November 2008, and increased to 884 hours in November 2009. The average number of riders per revenue hour was nearly unchanged, with 29.6 riders per hour in November 2008 and 29.7 in November 2009.

To: Chair Davis
Members of the Board of Directors
From: Sherrie Fisher, General Manager
Date: December 11, 2009
Subject: Administrative Update

Happy Holiday Season to all and a Happy New Year in 2010.

12-15-09	8:30 a.m. Regularly scheduled Board of Directors meeting at 550 Olive
12-29-09	Board meeting is cancelled
1-12-10	8:30 a.m. Regularly scheduled Board of Directors meeting at 550 Olive

The SBIM (Santa Barbara International Marathon) ran through MTD's service area Sunday resulting in detours and delays. There were several pre-event meetings held, which allowed MTD to be prepared for most of these issues. The Operations Department brought in extra supervision during the event. We were unable to provide service at some bus stops, but road supervision picked up waiting passengers and provided transportation for them. The Marketing Department placed information at all affected stops. We alleviated on-time performance issues during the event by beginning five runs with fresh units. Overall, from an Operations perspective, the event was incident free.

The annual Peoples' Self-Help Housing (PSHH) Holiday Toy Drive (called "Stuff the Bus") ends on December 16, 2009. After leaving the MTD yard at 9:30 A.M., the bus will pick up toys at local collection sites. Santa Claus will ride along on the MTD bus, helping to collect the gifts. Santa's bus ride ends at approximately 11:00 A.M. at one of the PSHH housing complexes, where the gifts will be wrapped.

The Marketing Department has been busy posting service alerts on MTD's website and also sending information out via Twitter. Speaking of Twitter, MTD will be featured in a Santa Barbara News-Press article as an example of how an organization can use Twitter for practical purposes.

MTD staff attended the Santa Barbara Car Free Partners meeting and discussed the possibility of working with local venues to offer discounts to individuals who present an MTD bus pass.

No engine overhaul work is currently in progress. The transmission in Bus #427 has been replaced.

Bus #905 remains at Valley Power Systems for the Allison Transmission Field Action program now initiated to replace certain parts in the electric drive unit (EDU), a major component of the EP40 Hybrid Electric Drive. Parts availability is the delaying issue.

Annual fuel station monitor certification testing is scheduled for Tuesday, December 15th.

We welcome Andrew Atkins & Jack Nunez to MTD. Andrew and Jack began as driver trainees on Monday, November 30th.

The Human Resources Department is currently checking background and references for one additional candidate to fill the last current driver trainee position. HR continues to monitor staffing levels and adjust the number of drivers as needed.

Staff attended a meeting of SBCAG's Technical Transportation Advisory Committee (TTAC) on Thursday, December 3rd. MTD is a voting member of TTAC. The meeting provided an update to TTAC members on the progress of the Measure A Strategic Plan.

The House of Representatives Transportation and Infrastructure Committee requires all recipients of American Recovery and Reinvestment Act of 2009 (ARRA) grants to submit monthly reports. Staff submitted the November report to SBCAG, which in turn will forward it to Caltrans for submittal to the House.

As required by the Federal Transit Administration (FTA), staff submitted the November monthly Safety & Security Reports and Ridership Reports for MTD and Easy Lift.

Staff participated in a meeting by conference call of the ongoing Transit and Transportation Demand Management (TDM) Subcommittee of Caltrans' Highway US 101 Corridor System Management Plan (CSMP). Staff of MTD, Caltrans, the Santa Barbara County Association of Governments, the Ventura County Transportation Commission, Gold Coast Transit, and Caltrans' consultant are the participants in these meetings.

Staff participated in two "Webinars" that provided assistance in FTA's required National Transit Database Safety & Security monthly reporting.

The winner of the December CITA (Caught In The Act) award is driver Roy Villarreal.

Operations and Planning staff met with City of Carpinteria Staff at the T3 compound in Carpinteria for a 1st Friday photo shoot with a Seaside Shuttle vehicle for the Coastal View newspaper. At Carpinteria's 1st Friday event, driver Ronnie Shahbazian was at the wheel again. He reported that the loads were light again, with approximately 15 to 20 passengers riding throughout the evening.

During the Santa Barbara Holiday Parade, driver Danny Villa provided transportation for the Mayor and City Council.

The upcoming Holiday Spirit Parade in Carpinteria will include two MTD shuttles serving the Carpinteria Chamber/Past Carpinterians of the Year, and the Carpinteria City Council. Operators Ronnie Shahbazian and Jim Eaton, both well versed in Carpinteria and in shuttle-driving, have accepted the assignment. The Parade begins at 3:00 P.M. and both shuttles will be staged earlier for decorating.