



AGENDA
Meeting
of the
BOARD OF DIRECTORS
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
A Public Agency
Tuesday, July 13, 2010
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; Roger Aceves, Vice Chair; Chuck McQuary, Secretary; Dick Weinberg, Director; Brian Fahnestock, Director; John Britton, Director; Olivia Rodriguez, 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 June 29, 2010.

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

The Board will be asked to review the cash report of June 22, 2010 through July 5, 2010.

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. OATH OF OFFICE- (ACTION MAY BE TAKEN)

Newly appointed Board member Olivia Rodriguez will be sworn in as Director for Santa Barbara Metropolitan Transit District.

8. CALIFORNIA STATE ASSOCIATION OF COUNTIES (CSAC) EXCESS INSURANCE AUTHORITY (EIA) DELEGATION OF AUTHORITY RESOLUTION NO. 10-02 (ATTACHMENT- ACTION MAY BE TAKEN)

The Board will be asked to authorize the attached Resolution No. 10-02.

9. ACCEPTANCE OF ENGAGEMENT LETTER FOR PROFESSIONAL AUDIT SERVICES (ATTACHMENT- ACTION MAY BE TAKEN)

The Board will be asked to accept the engagement letter for professional auditing service.

10. GENERAL MANAGER'S REPORT- (ACTION MAY BE TAKEN)

- a. GVPAC/ Calle Real
- b. South Coast Rail Working Group
- c. Other

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

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

12. RECESS TO CLOSED SESSION– UNION NEGOTIATIONS– (ACTION MAY BE TAKEN)

The Board will meet in closed session pursuant to Government Code §54957.6 to discuss labor negotiations with labor negotiator Sherrie Fisher, General Manager and Jerry Estrada, Assistant General Manager. ***PUBLIC COMMENT WILL BE ALLOWED RELATED TO THE CLOSED SESSION ITEM(S) BEFORE THE RECESS.***

13. 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.



DRAFT MINUTES
Meeting
of the
BOARD OF DIRECTORS
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
A Public Agency
Tuesday, June 29, 2010
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.

3. REPORT REGARDING POSTING OF AGENDA

Natasha Carbajal, Administrative Assistant/Receptionist reported that the agenda was posted on Friday, June 25, 2010 at MTD's administrative offices, emailed and mailed to those on the agenda list, and posted on MTD's website.

CONSENT CALENDAR

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

Director Aceves moved to approve the draft minutes for the meeting of June 23, 2010 and to approve the cash reports for June 8, 2010 through June 21, 2010. Director Britton seconded the motion. The motion passed unanimously.

THIS CONCLUDES THE CONSENT CALENDAR

6. PUBLIC COMMENT

There was no public comment.

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

No report was made. Vice Chair Aceves made a motion to remove this as a permanent agenda item from future Board agendas. Director Britton seconded the motion. The motion passed unanimously.

8. VALLEY EXPRESS MARKETING (ACTION MAY BE TAKEN)

David Damiano, Manager of Transit Development & Community Relations, and Kate Schwab, Assistant Manager of Marketing & Customer Service, presented a Valley Express Marketing Plan and a Ride Free Promotional Campaign proposal to the Board as a way to bring awareness to the community about the service, and to increase future ridership. The marketing plan consists of an introduction of free Wi-Fi on all Valley Express. There will also be ad space purchased in various news papers, as well as air time on a couple local radio stations. The marketing department will send out flyers to various large employers in the community and will update MTD's Twitter and Facebook pages with the information. The Ride Free promotional campaign proposal consists of MTD providing the Valley Express service for all current and new riders free of charge during the

week of July 21st through July 27th. Director Fahnestock motioned to approve the Valley Express Ride Free Campaign. Director Britton seconded the motion. The motion passed unanimously.

CHAIR DAVIS PROPOSED TO MOVE TO ITEM # 10 FOLLOWED BY ITEM # 9

Director Aceves motioned to move to item #10. Director Britton seconded the motion. The motion passed unanimously.

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

Chair Davis stated that he and Vice Chair Aceves began early discussions with the External Affairs Committee with regard to UCSB's Long Range Development Plan (LRDP) final Environmental Impact Report (EIR) Chair Davis reported that following the Board's motion, a letter was submitted to University of California Santa Barbara (UCSB) with respect to the concerns on impacts to MTD's service level requests of the UCSB's Long Range Development Plan (LRDP). The letter requested a delay in the submission of the LRDP and final Environmental Impact Report (EIR) to the UCSB Regents UCSB is planning to submit in July. MTD requests the submittal to be postponed so that further work with the community can take place. A second request in the letter was to include MTD in the discussions of a cooperative agreement which are currently ongoing with the City of Goleta and the County of Santa Barbara. The third item in the letter was an invitation to UCSB to attend MTD's board meeting to discuss the items at hand.

Chair Davis welcomed the representatives from UCSB present at the meeting which were Marc Fisher, Senior Associate Vice Chancellor, Kirsten Deshler, Director of Government Relations, and Alyssa Hummer, Senior Planner. Mr. Fisher presented information on the process of public comment of the LRDP and final EIR and stated that UCSB plans to take to the Regents in July. A discussion ensued during which MTD's Board again requested UCSB postpone submittal to the Regents until September.

9. GENERAL MANAGER'S REPORT- (ACTION MAY BE TAKEN)

General Manager Fisher reported that the UCSB student ridership district wide has increased by 37%.

General Manager Fisher also reported that the Summer Driver Bid has begun.

11. RECESS TO CLOSED SESSION– UNION NEGOTIATIONS– (ACTION MAY BE TAKEN)

The Board will meet in closed session pursuant to Government Code §54957.6 to discuss labor negotiations with labor negotiator Sherrie Fisher, General Manager and Jerry Estrada, Assistant General Manager. **PUBLIC COMMENT WILL BE ALLOWED RELATED TO THE CLOSED SESSION ITEM(S) BEFORE THE RECESS.**

Upon returning from Closed Session, Chair Davis reported that no action was taken. Chair Davis reported that Director Fahnestock left the meeting at 10:35 am prior to returning to open session

12. ADJOURNMENT

Director Britton moved to adjourn the meeting. Director Weinberg seconded the motion. The meeting was adjourned at 10:35 a.m.

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 July 13, 2010
For the Period June 22, 2010 through July 5, 2010

MONEY MARKET

Beginning Balance June 22, 2010 **\$736,875.59**

SB-325 (LTF)	514,976.25
LAIF Incoming	500,000.00
Passenger Fares	185,577.95
Accounts Receivable	73,173.48
Property Tax Revenue	39,644.33
Advertising & Prepaid Dep	2,659.00
Miscellaneous	40.00
Total Deposits	1,316,071.01

WC Reimb. - June 10	66.53
ACH Garnishment Trf	(1,698.49)
Bank Fee - June 10	(2,563.74)
ACH Pensions Transfer	(33,748.54)
Operations Transfer	(120,275.73)
ACH Tax Deposit	(130,790.09)
Payroll Transfer	(291,089.72)
Total Disbursements	(580,099.78)

Ending Balance **\$1,472,846.82**

CASH INVESTMENTS

LAIF Account	\$4,028,015.45
Money Market Account	1,472,846.82

Total Cash Balance **\$5,500,862.27**

SELF INSURED LIABILITY ACCOUNTS

WC / Liability Reserves	(\$1,273,930.83)
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Working Capital **\$4,226,931.44**

**Santa Barbara Metropolitan Transit District
Accounts Payable**

Check #	Date	Company	Description	Amount	Voids
95831	6/23/2010	BOMAR SECURITY & INVESTIGATI	SECURITY SERVICES	1,224.96	
95832	6/23/2010	BOWMAN DISTRIBUTION	SHOP SUPPLIES	92.96	
95833	6/23/2010	CALIFORNIA ELECTRIC SUPPLY, IN	SHOP/B&G SUPPLIES	193.06	
95834	6/23/2010	CARQUEST AUTO PARTS	BUS PARTS & SUPPLIES	668.18	
95835	6/23/2010	CINTAS FIRST AID & SAFETY LOC #	FIRST AID SUPPLIES	821.10	
95836	6/23/2010	COAST TRUCK PARTS	BUS PARTS	349.08	
95837	6/23/2010	CUMMINS CAL PACIFIC LLC	BUS PARTS	7,391.30	
95838	6/23/2010	COUNTY OF S.B.PUBLIC WORKS DE	WASTE DISPOSAL	115.00	
95839	6/23/2010	DONS INDUSTRIAL, INC.	BUS PARTS/SHOP SUPPLIES	302.47	
95840	6/23/2010	FEDERAL EXPRESS CORP.	FREIGHT CHARGES	159.87	
95841	6/23/2010	FIA CARD SERVICES	MISC CREDIT CARD CHARGES	3,430.92	
95842	6/23/2010	GFI GENFARE, INC.	FAREBOX REPAIRS & PARTS	1,811.28	
95843	6/23/2010	GIBBS INTERNATIONAL INC	BUS PARTS/SUPPLIES	1,198.58	
95844	6/23/2010	GILLIG LLC DBA	BUS PARTS	8,034.36	
95845	6/23/2010	GRAINGER, INC.	SHOP/B&G SUPPLIES	14.42	
95846	6/23/2010	HERNANDEZ, JOHN	TOOL ALLOWANCE	1,100.00	
95847	6/23/2010	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	8.58	
95848	6/23/2010	JANEK CORP	BUS PARTS	407.81	
95849	6/23/2010	J n L GLASS INC.	REPLACE BUS WINDOWS	1,630.00	
95850	6/23/2010	MC CORMIX CORP. (OIL)	LUBRICANTS	2,076.48	
95851	6/23/2010	MC CORMIX CORP. (GAS)	FUEL-SERVICE VEHICLES	2,209.78	
95852	6/23/2010	MCMaster-CARR SUPPLY CO.	SHOP/B&G SUPPLIES	237.21	
95853	6/23/2010	MGB INDUSTRIAL SUPPLY	BUS & SHOP SUPPLIES	32.36	
95854	6/23/2010	NATIONAL INTERSTATE INS INC.	LIABILITY INSURANCE	120.50	
95855	6/23/2010	NEWEGG, INC	COMPUTER SUPPLIES & REPAIRS	3,493.72	
95856	6/23/2010	NEWARK ELECTRONICS	BUS PARTS	126.67	
95857	6/23/2010	NUGS BY NAY DBA	GRAPHIC DESIGNER	228.38	
95858	6/23/2010	PREVOST CAR INC.- CREDIT DEPT.	BUS PARTS	710.75	
95859	6/23/2010	POTIER, RICH	SHOP TOOLS	27.89	
95860	6/23/2010	PRAXAIR DISTRIBUTION, INC.	SHOP SUPPLIES	204.12	
95861	6/23/2010	SO. CAL. EDISON CO.	UTILITIES	5,629.48	
95862	6/23/2010	SPECIALTY TOOL & BOLT	SHOP SUPPLIES	5.68	
95863	6/23/2010	SB COUNTY FIRE DEPARTMENT	SITE MITIGATION	257.40	
95864	6/23/2010	TELCOM, INC.	RADIO INSTALLATION & SERVS.	1,631.31	
95865	6/23/2010	TILFORD WELDING	VENDOR BUS REPAIRS	54.00	
95866	6/23/2010	TANK TEAM INC.	TANK TESTS	103.00	
95867	6/23/2010	TEAMSTERS MISC FUND	UNION MEDICAL/DENTAL	967.87	

Check #	Date	Company	Description	Amount	VOIDS
95868	6/23/2010	TEAMSTERS UNION LOCAL NO. 186	UNION DUES	61.00	
95869	6/23/2010	TRI-COUNTY AUTO GLASS INC	REPLACE BUS WINDOWS	262.31	
95870	6/23/2010	INTERSTATE CAPITAL CORPORATI	UNIFORMS	72.99	
95871	6/23/2010	VANGUARD PRINTING DBA	PRINTING SERVICES	187.72	
95872	6/23/2010	VALLEY POWER SYSTEMS, INC.	BUS PARTS	465.76	
95873	6/23/2010	VERIZON CALIFORNIA	TELEPHONES	2,673.72	
95874	6/23/2010	VERIZON WIRELESS	WIRELESS PHONES	415.15	
95875	6/23/2010	WAXIE SANITARY SUPPLY DBA	JANITORIAL SUPPLIES	874.08	
95876	6/23/2010	ZIELINSKI, DALE	REIMBURSEMENT	59.74	
95877	7/2/2010	STATE OF CALIFORNIA DTSC	EPA MANIFEST ANNUAL FEE	434.00	
95878	7/2/2010	DEAILE, MARY	PAYROLL RELATED	106.15	
95879	7/2/2010	STATE OF CALIFORNIA	PAYROLL RELATED	275.00	
95880	7/2/2010	GUARDIAN DENTAL INSURANCE	DENTAL INSURANCE	3,623.37	
95881	7/2/2010	GUARDIAN LIFE INS CO. CORP.	LIFE INSURANCE	914.94	
95882	7/2/2010	H. G. PETERSEN FAMILY PROPERTI	PARKING FOR VALLEY BUSES	100.00	
95883	7/2/2010	UNITED STATES TREASURY - IRS	PAYROLL RELATED	500.00	
95884	7/2/2010	SHERIFF CIVIL BUREAU	PAYROLL RELATED	859.53	
95885	7/2/2010	MEDICAL EYE SERVICES, INC.	VISION SERVICES	313.54	
95886	7/2/2010	MOUNTAIN SPRING WATER	SHOP & OFFICE SUPPLIES	1,119.45	
95887	7/2/2010	NOVACOAST INTERNATIONAL	TECHNICAL SUPPORT	3,300.00	
95888	7/2/2010	OTTIERI, ANN BRADY	PR RELATED	277.00	
95889	7/2/2010	PACIFICARE OF CALIFORNIA	HEALTH INSURANCE	47,027.74	
95890	7/2/2010	SB COUNTY FEDERAL CREDIT UNIO	PAYROLL DEDUCTION	1,348.00	
95891	7/2/2010	SANTA BARBARA NEWS-PRESS	SUBSCRIPTION	182.35	
95892	7/2/2010	SEELEY-RUIZ, KAREN	PAYROLL RELATED	75.69	
95893	7/2/2010	SO. CAL. EDISON CO.	UTILITIES	6,976.48	
95894	7/2/2010	SB CITY OF-REFUSE/WATER	UTILITIES	646.22	
95895	7/2/2010	TEAMSTERS UNION LOCAL NO. 186	UNION DUES	53.27	
				120,275.73	
				Current Cash Report Voided Checks:	0.00
				Prior Cash Report Voided Checks:	0.00
				Grand Total:	\$120,275.73

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

Date	Company	Description	Amount
6/22/2010	City of Goleta	Transit Enhancement - L6&11 Apr-Jun10	16,316.50
6/22/2010	Cottage Hospital	Passes/Token Sales	5,200.00
6/22/2010	Cottage Hospital	Passes/Token Sales	4,000.00
6/22/2010	Cottage Hospital	Passes/Token Sales	3,450.00
6/23/2010	Cottage Hospital	Passes/Token Sales	499.75
6/24/2010	S.B.C.A.G.	CAE Commuter Service - May10	4,682.00
6/24/2010	SB County Public Health	Passes/Token Sales	3,937.50
6/25/2010	Department of Rehabilitation	Passes/Token Sales	20.00
6/25/2010	Department of Rehabilitation	Passes/Token Sales	20.00
6/25/2010	Department of Rehabilitation	Passes/Token Sales	20.00
6/28/2010	ASTI Holding Company, LLC	Overpass Property Lease - Jun10	14,259.73
6/28/2010	County of Santa Barbara	Passes/Token Sales	2,430.00
6/28/2010	Willow Springs	Advertising on Buses	1,152.00
7/2/2010	Department of Rehabilitation	Passes/Token Sales	20.00
7/2/2010	SB School District	Passes/Token Sales	2,123.00
7/2/2010	Spectrum Clubs, Inc.	Advertising on Buses	2,160.00
7/2/2010	UCSB - Parking Services	Passes/Passport Sales	9,848.00
7/6/2010	County of Santa Barbara	Passes/Token Sales	3,035.00
Total Accounts Receivable Paid During Period			\$73,173.48



BOARD OF DIRECTORS REPORT

MEETING DATE: 07/13/10

AGENDA ITEM #:

DEPARTMENT: RISK

TYPE: ACTION

PREPARED BY: GABRIEL GARCIA

Signature

REVIEWED BY: GENERAL MANAGER

GM Signature

SUBJECT: Delegation of Authority Regarding Matters Associated with California State Association of Counties (CSAC) Excess Insurance Authority (EIA)

RECOMMENDATION

Staff recommends that the Board of Directors designate the General Manager and the Assistant General Manager to act on behalf of the District to enter into agreements with the District's insurance pool, CSAC-EIA, for matters relating to governance that do not substantially increase the District's risk to exposure and loss.

DISCUSSION:

In 2005, SBMTD joined the CSAC Excess Insurance Authority (CSAC EIA) for procurement of insurance and risk management services. CSAC EIA is requiring the governing board of all member entities to officially designate representatives, either individuals or positions, who have authority to officially act on behalf of their entity.

BUDGET/FINANCIAL INFORMATION:

There is no fiscal impact or change in insurance coverage.

ATTCHMENTS

A. Resolution 10-02

RESOLUTION
of the
BOARD OF DIRECTORS
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

IN THE MATTER OF AUTHORIZING THE GENERAL
MANAGER AND THE ASSISTANT GENERAL
MANAGER, TO ACT ON BEHALF OF THE SANTA
BARBARA METROPOLITAN TRANSIT DISTRICT

RESOLUTION NO. 10-02

WHEREAS, the California State Association of Counties (CSAC) Excess Insurance Authority (EIA) has determined that it is necessary for each member of the Authority to delegate to a person[s] or position[s] authority to act on the member's behalf in matters relating to the member and the Authority; and

WHEREAS, except as to those actions that must be approved by the Board of Directors of the Santa Barbara Metropolitan Transit District, such delegation of authority is necessary in order to carry out the purposes and functions of the Authority with its members; and

WHEREAS, in order to ensure a person[s] or position[s] is delegated with authority to act on the member's behalf in matters relating to the member and the Authority, action by the member's governing body is necessary; and

NOW, THEREFORE, BE IT RESOLVED that except as to actions that must be approved by the Board of Directors of the Santa Barbara Metropolitan Transit District, the General Manager and the Assistant General Manager are hereby appointed to act in all matters relating to the member and the Authority.

PASSED AND ADOPTED by the Board of Directors of the Santa Barbara Metropolitan Transit District this 13th day of July, 2010 by the following vote:

AYES: _____
NAYS: _____
ABSENT: _____

Chair, Board of Directors

ATTEST:

Secretary, Board of Directors

BOARD OF DIRECTORS REPORT

MEETING DATE: JULY 13, 2010

AGENDA ITEM #: 9

TYPE: ACTION

PREPARED BY: JERRY ESTRADA

Signature

REVIEWED BY: GENERAL MANAGER

Signature

SUBJECT: RECOMMENDATION TO ACCEPT ENGAGEMENT LETTER FOR PROFESSIONAL AUDITING SERVICES

DISCUSSION:

The Santa Barbara Metropolitan Transit District (MTD) has received the annual engagement letter from McGowan Guntermann to provide professional auditing services.

McGowan Guntermann has performed these services for the District for a number of years. MTD solicited proposals for these services three years ago and the Board determined that it was in the best interest of the District to maintain the existing relationship.

McGowan Guntermann has proposed to conduct the annual Single Audit for the amount of \$42,000. Last year McGowan Guntermann estimated that is could perform the Single Audit for \$39,000, excluding additional tasks associated with the implementation of the Postretirement Health Benefits actuarial study. In all, MTD paid McGowan Guntermann \$44,600 for its services last year.

The services required are intended to certify MTD's financial statements and to provide the Board with a review of the District's financial position as well as its management practices.



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

509 E. Montecito Street 2nd Floor, Santa Barbara, CA 93103, (805) 962-9175, Fax: (805) 962-8925, www.mcgowan.com

June 30, 2010

Ms. Sherrie Fisher, General Manager
Santa Barbara Metropolitan Transit District
550 Olive Street
Santa Barbara, CA 93101

Dear Sherrie:

This letter is to confirm our understanding of the terms and objectives of our engagement and to clarify the nature and limitations of our services to Santa Barbara Metropolitan Transit District. You should read it carefully in its entirety.

We will audit the financial statements of Santa Barbara Metropolitan Transit District as of the year ended June 30, 2010. Also, the document we submit to you will include the schedule of expenditures of federal awards that will be subjected to the auditing procedures applied in our audit of the financial statements.

Enclosed are the following attachments expanding on issues related to the above services and firm policies:

Audit - pages 3 - 9
Billing and Fee Policies - page 9
Timeframe - page 9

If your needs change during the year, the nature of our services can be adjusted appropriately. This agreement may be altered by either party with advanced written notice.

If you have any questions, please call me. If this agreement fairly sets forth your understanding, please sign the "acknowledgment copy" of this letter and return it all to us.

Sherrie Fisher, General Manager
Santa Barbara Metropolitan Transit District
June 30, 2010
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We appreciate the opportunity to serve you.

McGOWAN GUNTERMANN



Scott E. Davis, CPA

Enclosures

I have carefully read this agreement and APPROVE:

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

Sherrie Fisher, General Manager

Date

Board Member, Title

Date

Audit Objectives

The objective of our audit is the expression of an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the financial statements taken as a whole. The objective also includes reporting on-

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reports on internal control and compliance will each include a statement that the report is intended for the information and use of the audit committee, management, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with Circular A-133, and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. If our opinion on the financial statements or the Single Audit compliance opinion is other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Sherrie Fisher, General Manager
Santa Barbara Metropolitan Transit District
June 30, 2010
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Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will prepare a draft of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles; and for federal award program compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management Responsibilities (continued)

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Audit Procedures – General (continued)

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matter in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

Audit Procedures - Internal Controls (continued)

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the OMB Circular A-133 Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of the District's major programs. The purpose of these procedures will be to express an opinion on the District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Audit Administration and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any invoices selected by us for testing.

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Audit Administration and Other (continued)

At the conclusion of the engagement, we will complete the appropriate sections of and sign the Data Collection Form that summarizes our audit findings. We will provide copies of our reports to the Santa Barbara Metropolitan Transit District; however, it is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and a corrective action plan) along with the Data Collection Form to the designated federal clearinghouse and, if appropriate, to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits. At the conclusion of the engagement, we will provide information to management as to where the reporting packages should be submitted and the number to submit.

The audit documentation for this engagement is the property of McGowan Guntermann and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the Federal Transit Administration or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of McGowan Guntermann personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of ten years after the date the auditor's report is issued or for any additional period requested by the Federal Transit Administration or your pass through entities. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation. Upon the expiration of the 10-year period you agree that we shall be free to destroy (shred) our files unless we receive written notice from you.

Government Auditing Standards require that we provide you with a copy of our most recent quality control review report, which we have provided for you previously. Our next review will be in December 2010. Our firm prepares annual inspections of our accounting work.

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BILLING AND FEE POLICIES

Our fees for these services will be based upon the time taken, costs incurred including computer costs, and the difficulty of the work. Based on our estimate, the audit fee will be \$42,000. This fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. One possible contingency that could require additional audit time is if there is a significant change in the collective bargaining agreement relative to the post employment benefits, requiring a new actuarial study. That would require additional audit procedures.

We will bill you on a semimonthly basis as our efforts are incurred. Our bills are due when you receive them.

If any dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association (AAA) under its rules for professional accounting and related services disputes, before resorting to litigation. Costs of any mediation proceeding shall be shared equally by all parties. Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the AAA rules for professional accounting and related services disputes. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that in the event of a dispute over fees, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.

TIMEFRAME

We expect to begin preliminary testing in late June, 2010. If we receive the items we will request by July 31, 2010, we plan to begin our audit on approximately August 3, 2010. After your approval of the draft financial statements, we will issue the final report within three days. If the planned field work date is delayed by you, or expected information is incomplete at the start of fieldwork, this will extend the date to receive the draft financial statements.

To: Chair Dave Davis
Members of the Board of Directors
From: Sherrie Fisher, General Manager
Date: 7/9/2010
Subject: Administrative Update

We are pleased to announce that on June 29th, Santa Barbara City Council appointed Olivia Rodriguez to the Board of Directors. Welcome home, Olivia!

The Valley Express vehicles are being equipped with WiFi service. A promotional campaign has begun to promote the Valley Express service which will feature "Ride Free Days", July 21-27th.

Ads will be placed in the following media:

- Santa Barbara Independent
- Santa Ynez Valley Journal
- KRAZ 105 FM
- KSBL 101.7 FM (K-Lite)
- Virtual post cards will be sent to local Human Resource Directors
- Press releases will be distributed to local media to inform them of "Ride Free Days"

A Valley Express and bike rack demonstration "online on wheels" will take place at Citrix Online on January 14th.

The new schedule guide is currently in draft review; it has an effective date of August 23, 2010.

MTD welcomes David McDermott & Mark Kepford, who started as new driver trainees on Tuesday July 6, 2010.

We would also like to welcome Timothy Wildman, Alfredo Solis and Leonel Fuerte to MTD. These three begin as driver trainees on Monday July 19, 2010.

Operations provided service on June 26 while working the parameter of the Solstice Parade route. Passengers enjoyed additional booster service on lines 12x and 24x. Well-planned detours (led by Operations Supervisor Mark Clyde), and service well-done by all, resulted in a festival day that was incident free.

Carpinteria's 1st Friday service ridership increased this month as the availability of the shuttle becomes more well-known. MTD also transported the Carp Chamber group in the Independence Day Parade for the Chamber's "Past Carpinterians of the Year."

ON July 4th, MTD provided service to (and returning from) the Fireworks Show at the beach.

Seven boosters were put into service for overloads on Lines 3, 12x, 24x, 22, 20 & 6. Three additional supervisors worked that date, as well as Operations supervisor Dave Morse. Thank you to everyone who worked.

The C.I.T.A. (Caught in the Act of doing something good) July drawing winner is Danny Villa. Danny earned his CITA "for being a superb driver and always having a smile on his face and a kind word to say." Congratulations and thanks to Danny!

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

All agencies that received stimulus funding from the American Recovery and Reinvestment Act of 2009 (ARRA) are required to submit several reports on an ongoing basis. In July, MTD must submit one monthly report (for the House of Representatives Transportation and Infrastructure Committee) and three quarterly reports (two for FTA and one for Federal Reporting). Staff also participated in a "Webinar" that provided updated guidance from FTA regarding ARRA reporting.

Staff attended a meeting of SBCAG's Technical Transportation Advisory Committee (TTAC) on Thursday, July 1. MTD is a voting member of TTAC. The meeting included a discussion of the draft FY 2011 Federal Transportation Improvement Program, and updates on SBCAG's state legislative priorities, on SB 375, and on local agency Maintenance of Effort requirements under Measure A.

Staff attended a meeting of the South Coast Rail Working Group at SBCAG on July 7th. This group, staffed by SBCAG, meets periodically to discuss rail-related projects. The meeting included discussions of potential Pacific Surfliner schedule revisions, the Ortega siding project, and recent activities of LOSSAN (the LOSSAN Rail Corridor Agency is the Joint Powers Authority formed by several public entities to coordinate planning efforts for the 351-mile-long Los Angeles-San Diego-San Luis Obispo rail corridor).

The Santa Barbara City Council approved the FY 2011 Master Agreement with MTD.

There are no major engine or transmission repairs in progress at this time.

EV18 has been successfully run with the necessary modifications to the battery control system for installation of the LiFePO₄ batteries. Modification of the high voltage (large gauge) battery cables is in progress.

Bus #708 with the Johnson Matthey AdvCCRT low NO_x DPF system has been running in service with no related issues. A purchase requisition will be submitted for installation of three more systems on 700's.

New radios are being installed in the relief cars.

The annual maintenance parts inventory count is complete. Thank you to maintenance and accounting staff members for the work.

The annual storm water runoff report has been filed.

The annual fuel station leak detection system test was successfully completed last week.