



AGENDA
Meeting
of the
BOARD OF DIRECTORS
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
A Public Agency
December 14, 2010
8:30 a.m.
Santa Barbara MTD Auditorium
550 Olive Street, Santa Barbara, CA 93101

8:30 A.M. TIME CERTAIN CONVENE TO CLOSED SESSION

PUBLIC COMMENT WILL BE ALLOWED RELATED TO THE CLOSED SESSION ITEM(S) BEFORE THE RECESS.

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 negotiators Sherrie Fisher, General Manager, Jerry Estrada, Assistant General Manager.

Employee Organization: International Brotherhood of Teamsters Union Local 186.

RECONVENE TO REGULAR SESSION

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 Fahnstock, 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 November 30, 2010.

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

The Board will be asked to review the cash report of November 23, 2010 through December 6, 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.

TIME CERTAIN 9:30 A.M.

7. FISCAL YEAR 09-10 FINAL DRAFT SINGLE AUDIT (ACTION MAY BE TAKEN)

A discussion pertaining to the draft report will take place.

8. ANNUAL BOARD BUSINESS- ELECTION OF OFFICERS AND COMMITTEE MEMBERS (ACTION MAY BE TAKEN)

The Board will hold elections on the following Board Positions:

Chair

Vice Chair

Secretary

Committee Members

9. RENEWAL OF AMTRAK TRANSFER AGREEMENT- (ACTION MAY BE TAKEN)

The Board will be asked to authorize the General Manager to extend the Amtrak transfer agreement.

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

a) Review Administrative Update

b) Other

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

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

12. 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
WORKSHOP
of the
BOARD OF DIRECTORS
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
A Public Agency
November 30, 2010
8:30 a.m.
Santa Barbara MTD Auditorium
550 Olive Street, Santa Barbara, CA 93101**

**8:30 A.M. TIME CERTAIN CONVENE TO CLOSED SESSION.
PUBLIC COMMENT WILL BE ALLOWED RELATED TO THE CLOSED SESSION ITEM(S)
BEFORE THE RECESS.**

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

The Board met in closed session pursuant to Government Code §54957.6 to discuss labor negotiations with labor negotiators Sherrie Fisher, General Manager and Jerry Estrada, Assistant General Manager.

Employee Organization: International Brotherhood of Teamsters Union Local 186.

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

RECONVENE TO REGULAR SESSION

TIME CERTAIN 9:00 A.M. BOARD OF DIRECTORS WORKSHOP

1. CALL TO ORDER

Chair Davis called the meeting to order.

2. ROLL CALL OF THE BOARD OF DIRECTORS

Chair Davis reported that all members were present with the exception of Director Weinberg, who was expected to join the meeting later.

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 24, 2010 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- (ATTACHMENTS- ACTION MAY BE TAKEN)

Director Aceves moved to approve the draft minutes for the meeting of November 16, 2010 and the cash report of November 9, 2010 through November 22, 2010. Director Britton seconded the motion. The motion passed unanimously.

THIS CONCLUDES THE CONSENT CALENDAR

6. PUBLIC COMMENT

There was no public comment.

7. STRATEGIC PLAN WORKSHOP (ATTACHMENTS- ACTION MAY BE TAKEN)

The Board and staff conducted a SWOT (**strengths, weaknesses, opportunities and threats**) **analysis** of the District. The SWOT analysis was followed by a detailed discussion of several topics, including the potential impact on MTD of local agency land-use plans and regional and interregional transit needs, and scenarios for expansion or contraction of MTD service to meet future resource availability. Following these discussions, the Board agreed to resume the discussion of other topics on the agenda at a future meeting in January.

Director Weinberg joined the meeting at 9:50 a.m.

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

The Board did not have any questions for the General Manager.

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

There was no report.

10. ADJOURNMENT

Director Britton moved to adjourn the meeting at 12:36 p.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 14, 2010
For the Period November 23, 2010 through December 6, 2010

MONEY MARKET

Beginning Balance November 23, 2010 **\$4,540,526.69**

Accounts Receivable	806,777.56
Passenger Fares	147,074.80
Property Tax Revenue	78,760.46
Advertising/Prepaid Deposi	13,892.00
Interest Income - Nov. 10	3,469.48
Miscellaneous/Asset Sales	15.00
Total Deposits	1,049,989.30

ACH Garnishment Trf	(1,231.57)
Bank Fee - Nov 10	(2,693.89)
ACH Pensions Transfer	(31,588.29)
WC Transfer - Nov 10	(61,680.05)
ACH Tax Deposit	(136,674.90)
Operations Transfer	(298,604.79)
Payroll Transfer	(312,911.51)
Total Disbursements	(845,385.00)

Ending Balance **\$4,745,130.99**

CASH INVESTMENTS

LAIF Account	\$3,284,886.83
Money Market Account	4,745,130.99

Total Cash Balance **\$8,030,017.82**

SELF INSURED LIABILITY ACCOUNTS

WC / Liability Reserves	(\$1,229,084.60)
-------------------------	------------------

Working Capital **\$6,804,337.69**

**Santa Barbara Metropolitan Transit District
Accounts Payable**

Check #	Date	Company	Description	Amount	Voids
97105	12/1/2010	ALTERNATIVE COPY SHOP, INC.	PRINTING SERVICES	415.15	
97106	12/1/2010	BIG BRAND TIRES	SERVICE & TIRES SERVICE VEHICLE	309.14	
97107	12/1/2010	BOMAR SECURITY & INVESTIGATIO	SECURITY SERVICES	663.52	
97108	12/1/2010	CARQUEST AUTO PARTS	BUS PARTS & SUPPLIES	101.60	
97109	12/1/2010	COAST TRUCK PARTS	BUS PARTS	1,204.73	
97110	12/1/2010	CROCKER REFRIGERATION & AIR	HVAC MAINTENANCE	2,735.45	
97111	12/1/2010	CUMMINS CAL PACIFIC LLC	BUS PARTS	597.22	
97112	12/1/2010	FEDERAL EXPRESS CORP.	FREIGHT CHARGES	148.22	
97113	12/1/2010	FEDEX OFFICE	PRINTING SERVICES	13.32	
97114	12/1/2010	FREEDMAN SEATING COMPANY	BUS PARTS	286.86	
97115	12/1/2010	FUSES UNLIMITED, INC	BUS PARTS	779.12	
97116	12/1/2010	GFI GENFARE, INC.	FAREBOX REPAIRS & PARTS	300.25	
97117	12/1/2010	GIBBS INTERNATIONAL INC	BUS PARTS/SUPPLIES	268.95	
97118	12/1/2010	GILLIG LLC	BUS PARTS	2,012.31	
97119	12/1/2010	GUARDIAN DENTAL INSURANCE	DENTAL INSURANCE	3,548.82	
97120	12/1/2010	GUARDIAN LIFE INS CO. CORP.	LIFE INSURANCE	914.94	
97121	12/1/2010	H.G. MAKELIM CO.	BUS PARTS	1,089.07	
97122	12/1/2010	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	83.91	
97123	12/1/2010	IPC (USA), INC.	BUS FUEL	66,364.42	
97124	12/1/2010	J n L GLASS INC.	REPLACE BUS WINDOWS	895.00	
97125	12/1/2010	LUBRICATION ENGINEERS, INC.	LUBRICANTS	164.54	
97126	12/1/2010	MC CORMIX CORP. (OIL)	LUBRICANTS	3,171.99	
97127	12/1/2010	MCMASTER-CARR SUPPLY CO.	SHOP SUPPLIES	138.44	
97128	12/1/2010	MEDICAL EYE SERVICES, INC.	VISION SERVICES	301.34	
97129	12/1/2010	MGB INDUSTRIAL SUPPLY	BUS SUPPLIES	80.31	
97130	12/1/2010	MOHAWK MFG. AND SUPPLY CO.	BUS PARTS	38.28	
97131	12/1/2010	NATIONAL INTERSTATE INS INC.	LIABILITY INSURANCE	21,105.92	
97132	12/1/2010	PREVOST CAR INC.- CREDIT DEPT.	BUS PARTS	1,014.76	
97133	12/1/2010	PETTY CASH- HAHN, STEVE	MISC SHOP NEEDS	115.00	
97134	12/1/2010	PACIFICARE OF CALIFORNIA	HEALTH INSURANCE	46,103.81	
97135	12/1/2010	POINDEXTER, CAREY	MEDICAL REIMBURSEMENT	532.00	
97136	12/1/2010	PORT SUPPLY	BUS PARTS	127.77	
97137	12/1/2010	POWERSTRIDE BATTERY	EV BATTERIES	1,113.86	
97138	12/1/2010	RALPH'S GROCERY	SAFETY AWARDS	4,455.50	
97139	12/1/2010	SAFT AMERICA INC.	BUS BATTERIES	93,000.00	
97140	12/1/2010	SM TIRE, CORP.	BUS TIRE MOUNTING	141.00	
97141	12/1/2010	SPECIALTY TOOL & BOLT	SHOP SUPPLIES	268.84	

Check #	Date	Company	Description	Amount	Voids
97142	12/1/2010	SOUTHWEST LIFT & EQUIPMENT, IN	B&G REPAIRS & SUPPLIES	585.41	
97143	12/1/2010	SUPREME AUTO CARE PROD., LLC	BUS CLEANING SUPPLIES	206.52	
97144	12/1/2010	SB CITY OF-REFUSE/WATER	UTILITIES	2,012.78	
97145	12/1/2010	THE LIGHTHOUSE	SHOP SUPPLIES	87.98	
97146	12/1/2010	TRI-COUNTY AUTO GLASS INC	REPLACE BUS WINDOWS	220.00	
97147	12/1/2010	TREAS.TAX COLLECTOR, BERNICE J	PROPERTY TAXES - OVERPASS SITE	403.04	
97148	12/1/2010	UPS FREIGHT	FREIGHT SHIPPING	148.35	
97149	12/1/2010	INTERSTATE CAPITAL CORPORATI	UNIFORMS	1,777.74	
97150	12/1/2010	VALLEY POWER SYSTEMS, INC.	BUS PARTS	923.04	
97151	12/1/2010	VERIZON WIRELESS	WIRELESS PHONES	443.46	
97152	12/1/2010	WAXIE SANITARY SUPPLY DBA	JANITORIAL SUPPLIES	514.30	
97153	12/3/2010	ROGER STEVEN ACEVES	DIRECTOR FEES	180.00	
97154	12/3/2010	AMERICAN NAMEPLATE COMPANY	ENGRAVING SERVICES	31.32	
97155	12/3/2010	JOHN BRITTON	DIRECTOR FEES	180.00	
97156	12/3/2010	CARQUEST AUTO PARTS	BUS PARTS & SUPPLIES	118.30	
97157	12/3/2010	CENTRAL COAST CIRCULATION, LL	BUS BOOK DISTRIBUTION	575.00	
97158	12/3/2010	CINTAS FIRST AID & SAFETY LOC #	FIRST AID SUPPLIES	315.37	
97159	12/3/2010	COAST TRUCK PARTS	BUS PARTS	240.61	
97160	12/3/2010	CROCKER REFRIGERATION & AIR	HVAC MAINTENANCE	790.00	
97161	12/3/2010	CUMMINS CAL PACIFIC LLC	BUS PARTS	275.35	
97162	12/3/2010	DAVID D. DAVIS JR.	DIRECTOR FEES	180.00	
97163	12/3/2010	DOCUPRODUCTS CORPORATION	COPIER COPIES & SUPPLIES	1,199.00	
97164	12/3/2010	DOWNTOWN ORGANIZATION, INC.	TC MAINTENANCE	450.00	
97165	12/3/2010	EVERYTHING ELECTRIC	SHOP/B&G SUPPLIES	37.45	
97166	12/3/2010	FENCE FACTORY	FENCE INSTALLATION	6,390.00	
97167	12/3/2010	BRIAN FAHNESTOCK	DIRECTOR FEES	180.00	
97168	12/3/2010	GIBBS INTERNATIONAL INC	BUS PARTS/SUPPLIES	1,412.50	
97169	12/3/2010	GILLIG LLC	BUS PARTS	468.77	
97170	12/3/2010	H.G. MAKELIM CO.	BUS PARTS	1,469.82	
97171	12/3/2010	H. G. PETERSEN FAMILY PROPERTIE	PARKING FOR VALLEY BUSES	100.00	
97172	12/3/2010	HOME IMPROVEMENT CTR.	SHOP/B&G SUPPLIES	191.59	
97173	12/3/2010	MARBORG INDUSTRIES (INC)	UTILITIES & RENTAL FEES	160.48	
97174	12/3/2010	MC CORMIX CORP. (GAS)	FUEL-SERVICE VEHICLES	2,499.46	
97175	12/3/2010	CHUCK MCQUARY	DIRECTOR FEES	180.00	
97176	12/3/2010	MOHAWK MFG. AND SUPPLY CO.	BUS PARTS	925.25	
97177	12/3/2010	MOUNTAIN SPRING WATER	SHOP & OFFICE SUPPLIES	1,047.95	
97178	12/3/2010	MOTION INDUSTRIES, INC.	BUS PARTS	260.14	
97179	12/3/2010	NU-COOL REDI GREEN	COOLANTS & SHOP SUPPLIES	318.12	
97180	12/3/2010	RODRIGUEZ, OLIVIA	DIRECTOR FEES	180.00	
97181	12/3/2010	SB LOCKSMITHS, INC.	B&G REPAIR & SUPPLIES	300.00	

Check #	Date	Company	Description	Amount	Voids
97182	12/3/2010	SM TIRE, CORP.	BUS TIRE MOUNTING	126.00	
97183	12/3/2010	SPRINT DBA	WiFi SERVICES	191.10	
97184	12/3/2010	STEWART'S DE-ROOTING & PLUMBI	PLUMBING REPAIRS	180.00	
97185	12/3/2010	THE MEDCENTER	MEDICAL EXAMS	3,428.00	
97186	12/3/2010	TANK TEAM INC.	TANK TESTS	219.50	
97187	12/3/2010	TRANSIT INFORMATION PRODUCTS	BUS STOP SCHEDULE HOLDERS	717.69	
97188	12/3/2010	WESTERN STATES TRANSMISSIONS	BUS PARTS	6,429.64	
97189	12/3/2010	WAXIE SANITARY SUPPLY DBA	JANITORIAL SUPPLIES	271.28	
97190	12/3/2010	RICHARD WEINBERG	DIRECTOR FEES	180.00	
97191	12/6/2010	CHILD SUPPORT ENFORCEMENT AG	PAYROLL RELATED	147.69	
97192	12/6/2010	DEAILE, MARY	PAYROLL RELATED	106.15	
97193	12/6/2010	DELTA DENTAL - CLIENT SERVICES	DENTAL INSURANCE	363.60	
97194	12/6/2010	STATE OF CALIFORNIA/FTB	PAYROLL RELATED	123.34	
97195	12/6/2010	STATE OF CALIFORNIA	PAYROLL RELATED	175.00	
97196	12/6/2010	UNITED STATES TREASURY - IRS	PAYROLL RELATED	500.00	
97197	12/6/2010	SHERIFF CIVIL BUREAU	PAYROLL RELATED	844.30	
97198	12/6/2010	OTTIERI, ANN BRADY	PAYROLL RELATED	277.00	
97199	12/6/2010	SB COUNTY FEDERAL CREDIT UNIO	PAYROLL DEDUCTION	1,398.00	
97200	12/6/2010	SEELEY, KAREN	PAYROLL RELATED	75.69	
97201	12/6/2010	TEAMSTERS UNION LOCAL NO. 186	UNION DUES	266.35	
				298,604.79	
				Current Cash Report Voided Checks:	0.00
				Prior Cash Report Voided Checks:	0.00
				Grand Total:	\$298,604.79

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

Date	Company	Description	Amount
11/23/2010	City of SB - Browning Allen	Downtown Shuttle - Oct 10	88,597.50
11/23/2010	City of SB - Commuter Lot	Commuter Lot Shuttle - Nov 10	16,945.05
11/23/2010	City of SB - Commuter Lot	Commuter Lot Shuttle - Nov 10	0.03
11/23/2010	City of SB - Commuter Lot	Commuter Lot Shuttle - Nov 10	-0.03
11/24/2010	SB County Public Health	Passes/Token Sales	3,937.50
11/30/2010	CA Dept. of Transportation	Amtrak Contract Fares	280.00
11/30/2010	Creekside Advertising Agency	Advertising on Buses	1,280.25
11/30/2010	Marshall Advertising	Advertising on Buses	882.00
11/30/2010	Willow Springs	Advertising on Buses	576.00
12/1/2010	City of SB - Downtown Parking	City of SB My Ride	18,000.00
12/1/2010	Cottage Hospital	Passes/Token Sales	236.25
12/2/2010	Cinbatel Agency	Advertising on Buses	688.00
12/2/2010	Local Transportation Fund	SB 325 - Nov 10	521,318.51
12/2/2010	Measure A, Section 3 LSTI	Measure "A" Funds	139,251.49
12/3/2010	ASTI Holding Company, LLC	Overpass Property Lease	14,259.73
12/6/2010	Calles, Gilbert & Leandra	Health Insurance - Retiree	256.54
12/6/2010	Fountain, Melvin and Elizabeth	Health Insurance - Retiree	256.54
12/6/2010	Jim Haggerty	Retiree - Vision	12.20
Total Accounts Receivable Paid During Period			\$806,777.56

BOARD OF DIRECTORS REPORT

MEETING DATE: DECEMBER 14, 2010 **AGENDA ITEM #:** 7

TYPE: ACTION

PREPARED BY: JERRY ESTRADA

Signature

REVIEWED BY: GENERAL MANAGER

GM Signature

**SUBJECT: RECOMMENDATION TO ACCEPT FINANCIAL STATEMENT
FOR FISCAL YEAR 09-10**

DISCUSSION:

Staff and a representative of McGowan Guntermann will present with the District's financial statement for fiscal year 09-10.

**SANTA BARBARA
METROPOLITAN TRANSIT DISTRICT
FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010 and 2009**

First draft

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

June 30, 2010 and 2009

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis - Required Supplementary Information	I - VII
Financial Statements:	
Balance Sheets	10
Statements of Revenue, Expenses and Changes in Net Assets	11
Statements of Expenses	12 - 13
Statements of Cash Flows	14 - 15
Notes to Financial Statements	16 - 29

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, 2010 and 2009. 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, 2010 and 2009, 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 Management's Discussion and Analysis on pages I through VII 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 9, 2010, 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 9, 2010

First draft

Management's Discussion and Analysis for Fiscal Year 2009-10

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 09-10 with a decrease in Unrestricted net assets of (\$652,809). The District had originally budgeted for a decrease in Unrestricted net assets of (\$203,531). The variance between actual and budgeted unrestricted net assets is due partially to the unfunded portion of Other Post Employment Retirement Benefits – Retiree Health Insurance (OPEB) of \$924,000. Additionally delays in the acquisition of some capital projects and better than anticipated results pertaining to the Statement of Revenue, Expense and Changes in Net Assets resulted in an increase. The increase in Restricted net assets represents an advance of Proposition 1B – PTMISEA funds of \$1,352,419 funds for the purchase of seven 40' hybrid buses to be purchased in fiscal year 2011/12.

Assets and 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.

As the table below illustrates, net assets decreased by \$1,642,097 during fiscal year 09-10. The decrease is a result of the fact that depreciation expense and disposals exceeded new capital investments.

Statement of Net Assets
June 30

Assets:	2010	2009
Current Assets	\$12,757,696	\$13,319,180
Non-Current (Capital) Assets	30,251,572	31,240,860
Total Assets	<u>\$43,009,268</u>	<u>\$44,560,040</u>
Liabilities:		
Current Liabilities	\$2,449,947	\$3,297,599
Non-Current Liabilities	3,491,319	2,552,342
Total Liabilities	<u>\$5,941,266</u>	<u>\$5,849,941</u>
Net Assets:		
Invested in capital assets	\$26,251,083	\$28,594,800
Restricted	4,000,489	2,646,060
Unrestricted	6,816,430	7,469,239
Total Net Assets	<u>\$37,068,002</u>	<u>\$38,710,099</u>

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 09-10 were \$8,259,939 versus \$7,967,940 in the prior fiscal year resulting in an increase of \$292,999 or 3.7%. The increase in passenger fares is attributable to a fare structure revision implemented in January of 2009 to increase fare rates. Fiscal year 09-10 included twelve-months of the new fare structure, while the prior year only reflected six-months of the change. Federal operating assistance increased by \$149,833 or 3.3%. Non-Transportation Revenue increase by 30.2% or \$147,688 versus prior year results. The increase was due largely to the fact that the Overpass Facility was leased for the entire fiscal year, whereas, it had only been leased a few month during the prior year. Advertising revenue increased significantly but the gains were partially offset by declining returns associated with interest generated from investments, a direct reflection of historically low interest rates. Capital assistance in the form of Proposition 1B – PTMISEA funds increased by \$1,111,856, which reflects a cash advance toward the purchase of seven 40' hybrid buses.

TDA SB325 Local Transportation Funds & State Transit Assistance

	FY 07-08	FY 08-09	FY 09-10
Local Transportation Fund (SB 325)	\$6,825,407	\$6,172,289	\$5,608,291
State Transit Assistance Fund (SB 620)	961,175	566,330	305,420
	<u>\$7,786,582</u>	<u>\$6,738,619</u>	<u>\$5,913,711</u>

Subsidy Change:	(\$1,047,963)	(\$824,908)
% Change:	-17.7%	-11.6%

In fiscal year 09-10 TDA funding decreased by (\$824,908) or (11.6%). These funds constitute a significant percentage of the District's operating and capital revenues. Local Transportation Fund (TDA-LTF) revenue decreased by (\$563,998), while State Transit Assistance (TDA-STA) decreased by (\$260,910). 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 were supplemented with TDA-STA funds to balance the capital budget.

Due to the historic drop in sales tax revenue the District is no longer able to set aside significant amounts of TDA-LTF funds for its capital budget. As a result, the \$563,998 decrease in TDA-LTF has significant impact on the District's ability to sustain existing service levels.

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 cash balances to ensure working capital requirements for the upcoming year are met.

The decrease in TDA-STA is a bit misleading as the figures reflect the amount of reimbursement requested for capital acquisitions. The District has \$4,414,182 in TDA-STA allocated for future capital purchases from which it can draw. The funds are intended to be used on planned and future bus purchases as well as other miscellaneous capital projects. The funds are held by the Santa Barbara County Association of Governments. (SBCAG)

Operating expenses before depreciation exceeded prior year figures by \$29,087 or .14%. 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 unfunded liability resulted in a \$924,000 expense in fiscal year 09-10 versus \$880,000 in the prior year.

Wages and fringe benefits accounted for 78.8% of the District's operating costs, before depreciation, in fiscal year 09/10 up from the prior year figure of 75.6%. Wages and fringe benefits increased by \$722,220 in fiscal year 09-10 versus prior year. Fuel costs decreased by \$284,001 during the fiscal year as the price per gallon dropped significantly from the prior year.

Santa Barbara Metropolitan Transit District
Revenue, Expense and Performance Report
Years Ended June 30, 2010 and 2009

Category	Actual FY 09-10	Prior Year FY 08-09	Actual vs. Prior % Change	Budget FY 09-10	Actual vs. Budget % Change
Revenues:					
Passenger Fares	\$8,259,939	\$7,967,940	3.7%	\$8,372,191	-1.3%
Local Operating Assistance	1,284,288	1,367,818	-6.1%	1,267,192	1.3%
Non-Transportation Revenue ⁽¹⁾	636,398	488,709	30.2%	603,500	5.5%
Sub Total :	\$10,180,625	\$9,824,467	3.6%	\$10,242,883	-0.6%
Major Subsidies:					
Operating					
TDA-LTF ⁽²⁾	\$6,069,535	\$6,480,516	-6.3%	\$5,200,000	16.7%
Federal Operating Assistance	4,683,102	4,533,269	3.3%	4,832,091	-3.1%
Property Tax	800,461	865,663	-7.5%	782,000	2.4%
Sub Total:	11,553,098	11,879,448	-2.7%	10,814,091	6.8%
Capital					
TDA-LTF & TDA-STA	306,179	258,103	18.6%	727,650	-57.9%
Federal Grants	266,667	1,194,720	-77.7%	120,000	122.2%
Proposition 1B	1,352,419	240,563	462.2%	0	-
Miscellaneous Grants	248,400	213,848	16.2%	448,000	-44.6%
Sub Total:	\$2,173,665	\$1,907,234	14.0%	\$1,295,650	67.8%
Total Revenue	\$23,907,388	\$23,611,149	1.3%	\$22,352,624	7.0%
Expenses:					
Vehicle Operations	\$12,071,126	\$11,455,736	5.4%	\$12,149,186	-0.6%
Vehicle Maintenance	4,758,688	5,055,902	-5.9%	5,010,682	-5.0%
Passenger Facilities	1,575,142	1,535,019	2.6%	1,659,174	-5.1%
General Overhead	2,312,424	2,691,955	-14.1%	2,406,588	-3.9%
OPEB - Retiree Health Care	1,016,343	965,304	5.3%	-	-
Sub Total:	\$21,733,723	\$21,703,916	0.1%	\$21,225,630	2.4%
Depreciation	\$3,321,714	\$3,245,958			
Loss on Disposal of Assets	\$25,759	\$29,028			
Sub Total:	\$3,347,473	\$3,274,986			
Total Expense	\$25,081,196	\$24,978,902			
Performance Indicators:					
Total Passengers	7,963,116	8,293,076	-4.0%		
Revenue Hours	211,489	206,013	2.7%		
Revenue Miles	2,668,660	2,626,546	1.6%		
Farebox Ratio ⁽³⁾	38.0%	36.7%	3.5%		
Cost/Passenger	\$2.73	\$2.62	4.3%		
Cost/Hour	\$102.77	\$105.35	-2.5%		
Cost/Mile	\$8.14	\$8.26	-1.4%		
Passenger/Hour	37.65	40.26	-6.5%		
Passenger/Mile	2.98	3.16	-5.5%		

(1) Of the \$636,398 in non-transportation revenue for fiscal year 09-10, \$401,339 was derived from advertising revenue. The District offers advertising opportunities inside and outside its buses.

(2) Excluding the OPEB –Retiree Health Care expense of \$924,000, the amount of TDA subsidy applied to operations decreased by \$54,465 in fiscal year 09-10. 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 09-10, consistent with scheduled increases associated with the collective bargaining agreement. The cost of diesel fuel continued to decrease despite a slight increase in revenue miles traveled. The decrease was a direct result of the District’s decision to enter into a fixed-fuel price agreement late in the prior fiscal year. The fixed-price contract covered eleven-months of fiscal year 09-10. Due to rising demand for ADA paratransit service the District agreed to increase its subsidy to Easy Lift. Discretionary spending was reduced during the year, as an example Media Ad Placement costs declined significantly. Fare processing costs, or bank fees, increased as the District took the precaution of moving more of its cash balance to the State’s Local Agency Investment Fund (LAIF) in response to the uncertainty surrounding the stability of District’s local bank. The combination of lower cash balances and low interest rates resulted in less of an offset to cover the fees charged the District for the bank’s services. A one-time charge associated with the Calle Real property was taken that increased expenses by approximately \$300,000 in the prior year. This transaction closed the work-in-process account associated with the development of the site.

From a financial perspective, the District performed well considering service levels increased by 2.7% and wage rate increases associated with the final year of the collective bargaining agreement were honored. The District’s operating expenses of \$21,733,723 in fiscal year 09-10 represented an increase of \$29,807 or one-tenth of a percent. The primary financial concern for the District is the state of its operating revenues. TDA-LTF sales tax revenue of \$5,608,291 represented a decline of 9.1% or \$563,998. Just two years ago the District received \$6,825,407 in TDA-LTF sales tax revenue; that is a decrease of \$1,217,116 or 17.8%.

Sales Tax Payment, TDA-LTF (Reflects receipts from 2-3 months prior)				
	Actual FY 2007-08	Actual FY 2008-09	Actual FY 2009-10	Change Vs. PY
Jul	\$455,572	\$479,174	\$380,950	-20.5%
Aug	608,583	639,257	512,845	-19.8%
Sep	726,428	592,450	476,285	-19.6%
Oct	499,376	480,108	395,348	-17.7%
Nov	666,708	640,933	448,250	-30.1%
Dec	601,220	533,269	616,009	15.5%
Jan	525,222	476,771	403,925	-15.3%
Feb	702,118	523,346	538,886	3.0%
Mar	447,241	485,681	483,064	-0.5%
Apr	429,860	384,963	340,244	-11.6%
May	574,228	414,082	497,508	20.1%
Jun	588,850	522,256	514,976	-1.4%
Total:	\$6,825,407	\$6,172,289	\$5,608,291	-9.1%
Change from PY:		(\$653,118)	(\$563,998)	
		-9.6%	-9.1%	

TDA-LTF sales tax revenue is relied upon to balance the operating budget and in fiscal year 09-10 the amount received was insufficient due to the poor economy and the OPEB adjustment of \$924,000 to account for the unfunded liability. Accounting practice required the District to apply TDA-LTF sales tax reserves to operating revenue to balance the Income Statement. While the liability remains unfunded and the District’s immediate cash position remains unaffected its balance sheet is in long-term jeopardy if the OPEB matter is not addressed within the next few years.

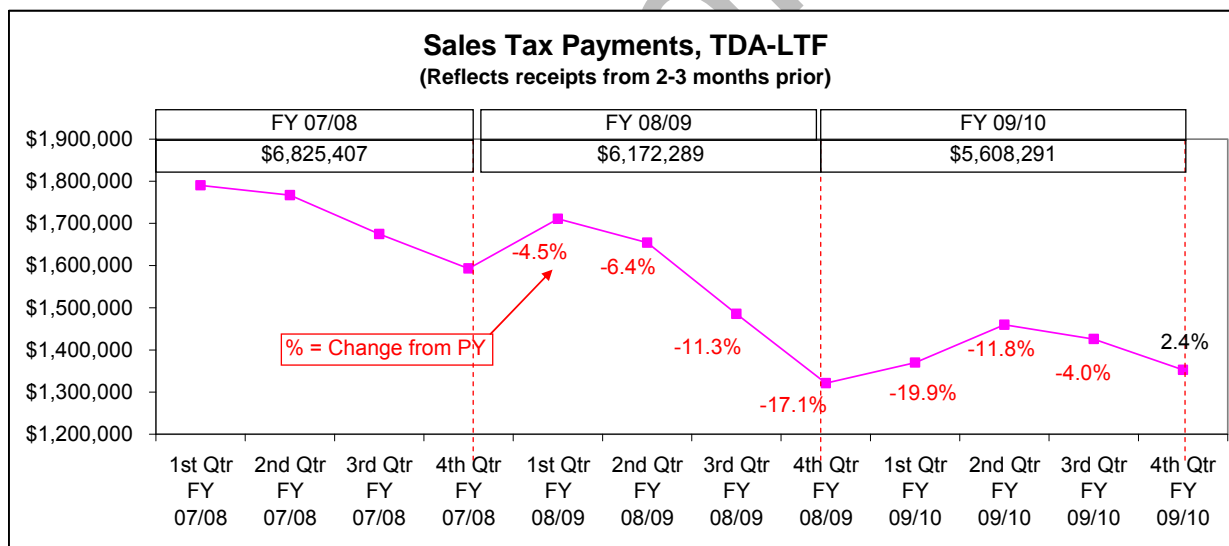
In fiscal year 10-11, the District modified the staff’s benefit package changing the age requirement from 62 to 65. (Medicare eligible) Likewise, the Teamsters Local 186 – Supervisors Unit agreed to an identical age requirement as it pertains to eligibility for retiree health insurance. The two changes decreased the projected unfunded liability by an estimated \$500,000 over thirty years. The Teamsters Local 186 – Drivers, Mechanics & Service Workers Unit rejected identical language and negotiations are ongoing.

Financial Outlook

The poor economy has continued to plague the District’s operating revenues. The 17.8% drop in TDA-LTF sales tax revenue has eliminated the District’s ability to supplement the capital budget with these funds.

Operating Budget

The need to reallocate TDA-LTF sales tax revenue to augment the capital budget has subsided and is discussed in detail later in this document. The primary concern for the District is the state of its operating budget which has reached a projected structural imbalance between revenues and expenses. The imbalance is still rather small but is projected to increase significantly over the next few years. It is imperative that the District restrain the growth in operating costs over the next few years and if necessary prepare for cuts to service levels if operating revenues do not improve.



An additional concern is the 2010 U.S. Decennial Census results for the Santa Barbara Urbanized Area. (SB UZA) If the population within the SB UZA exceeds 200,000 as a result of the 2010 U.S. Decennial Census the District will no longer be able to use its Section 5307 federal funds (\$4.3 million) for operating expenses. There are special clauses that will allow the District to classify some operating expenses as “capital”. Doing so will help offset some of the impact to the operating budget but not entirely. The District is working with other transit operators throughout the country to propose new legislation that would allow the District to continue to use these funds for operating purposes.

Capital Budget

The state of California and the California Transit Association (CTA) have reached an accord pertaining to CTA's lawsuit that has reinstated the State Transit Assistance (TDA-STA) fund, which was the District's only dedicated source of capital funding.

With the appropriation of various one-time federal and state grants, balance of TDA-STA funds and the initiation of the Measure A – Transit Capital fund the District's capital budget is projected to be made whole without the use of TDA-LTF sales tax revenue.

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, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,032,343	\$ 5,128,311
Grants receivable	5,280,821	6,668,775
Other receivable	246,059	273,639
Materials and supplies inventories	1,081,611	1,117,934
Other current assets	<u>116,862</u>	<u>130,521</u>
Total Current Assets	<u>12,757,696</u>	<u>13,319,180</u>
NON-CURRENT ASSETS		
Cash restricted for capital support	4,000,489	2,646,060
Capital assets:		
Tangible transit operating property	54,213,219	53,389,718
Less: Accumulated depreciation	<u>(27,962,136)</u>	<u>(24,794,918)</u>
Capital Assets, net	<u>26,251,083</u>	<u>28,594,800</u>
Total Non-Current Assets	<u>30,251,572</u>	<u>31,240,860</u>
TOTAL ASSETS	<u>\$ 43,009,268</u>	<u>\$ 44,560,040</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Trade payables	\$ 796,418	\$ 1,937,637
Accrued payroll	1,396,842	1,277,681
Accrued expenses	<u>256,687</u>	<u>82,281</u>
Total Current Liabilities	<u>2,449,947</u>	<u>3,297,599</u>
NON-CURRENT LIABILITIES		
Compensated absences payable	310,638	279,065
Accrued damage, injury, and employee claims	1,376,681	1,393,277
Accrued other post employment benefits	<u>1,804,000</u>	<u>880,000</u>
Total Non-Current Liabilities	<u>3,491,319</u>	<u>2,552,342</u>
Total Liabilities	<u>5,941,266</u>	<u>5,849,941</u>
NET ASSETS		
Invested in capital assets	26,251,083	28,594,800
Unrestricted	6,816,430	7,469,239
Restricted	<u>4,000,489</u>	<u>2,646,060</u>
Total Net Assets	<u>37,068,002</u>	<u>38,710,099</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 43,009,268</u>	<u>\$ 44,560,040</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUE, NOT INCLUDING LOCAL AND FEDERAL ASSISTANCE		
Passenger fares	\$ <u>8,259,939</u>	\$ <u>7,967,940</u>
OPERATING EXPENSES		
Vehicle operations	12,071,126	11,455,736
Vehicle maintenance	4,758,688	5,055,902
Passenger facilities	1,575,142	1,535,019
General overhead	2,312,424	2,691,955
Post employment health care benefits	<u>1,016,343</u>	<u>965,304</u>
Total before Depreciation	21,733,723	21,703,916
Depreciation	<u>3,321,714</u>	<u>3,245,958</u>
Total Expenses	<u>25,055,437</u>	<u>24,949,874</u>
OPERATING LOSS	<u>(16,795,498)</u>	<u>(16,981,934)</u>
NON-OPERATING REVENUE		
Non-transportation revenue, including interest, advertising, rental and miscellaneous	636,398	488,710
Taxes levied by Santa Barbara County for Transit District	800,461	865,663
Transportation Development Act funding and allocations	5,913,711	6,738,619
Federal grants and reimbursements	4,949,769	5,727,989
Proposition 1B grant advances	1,352,419	240,563
Miscellaneous grants	1,526,402	1,581,666
Loss on disposal of assets	<u>(25,759)</u>	<u>(29,028)</u>
Total Non-Operating Revenue	<u>15,153,401</u>	<u>15,614,182</u>
CHANGE IN NET ASSETS	(1,642,097)	(1,367,752)
BEGINNING OF YEAR NET ASSETS	<u>38,710,099</u>	<u>40,077,851</u>
END OF YEAR NET ASSETS	\$ <u>37,068,002</u>	\$ <u>38,710,099</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
LABOR		
Operators' wages	\$ 6,266,572	\$ 5,948,000
Other salaries and wages	<u>3,905,164</u>	<u>3,721,117</u>
Total Labor	<u>10,171,736</u>	<u>9,669,117</u>
FRINGE BENEFITS		
Payroll taxes	914,185	864,601
Retirement plans	1,316,530	1,229,510
Health and welfare	2,851,161	2,601,226
Workers compensation	391,514	672,876
Sick pay	238,144	227,275
Holiday pay	388,065	354,992
Vacation pay	727,392	673,854
Other paid absences	64,325	58,994
Uniforms and tool allowances	<u>62,577</u>	<u>50,964</u>
Total Fringe Benefits	<u>6,953,893</u>	<u>6,734,292</u>
SERVICES		
Professional and technical including directors' fees	286,986	473,012
Outside services	83,547	84,663
Contract maintenance services	302,529	451,509
Promotion and printing	<u>125,377</u>	<u>141,768</u>
Total Services	<u>798,439</u>	<u>1,150,952</u>
MATERIALS AND SUPPLIES		
Fuel and lubricants	1,506,940	1,790,941
Tires and tubes	139,707	125,685
Bus parts	691,820	671,984
Other materials and supplies	186,582	204,453
Electric bus power	<u>79,453</u>	<u>79,848</u>
Total Material and Supplies	<u>2,604,502</u>	<u>2,872,911</u>
Subtotal - Expenses Carried Forward	<u>\$20,528,570</u>	<u>\$20,427,272</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Subtotal - Expenses Brought Forward	<u>\$20,528,570</u>	<u>\$20,427,272</u>
UTILITIES AND TELEPHONE	<u>197,864</u>	<u>194,461</u>
CASUALTY AND LIABILITY COSTS	<u>229,130</u>	<u>330,535</u>
PURCHASED TRANSPORTATION	<u>574,411</u>	<u>522,192</u>
MISCELLANEOUS EXPENSES		
Dues and subscriptions	36,266	32,851
Travel, meetings and training	9,532	14,376
Purchased media	6,150	69,138
Environmental clean-up costs		5,459
Other miscellaneous expenses	<u>151,800</u>	<u>107,632</u>
Total Miscellaneous Expenses	<u>203,748</u>	<u>229,456</u>
Total Expenses before Depreciation	21,733,723	21,703,916
DEPRECIATION	<u>3,321,714</u>	<u>3,245,958</u>
TOTAL EXPENSES	<u>\$25,055,437</u>	<u>\$24,949,874</u>

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATIONS		
Receipts from transit customers	\$ 8,259,457	\$ 8,030,950
Payments to suppliers and vendors	(4,223,913)	(5,105,443)
Payments to employees/benefits	<u>(16,050,638)</u>	<u>(15,291,126)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(12,015,094)</u>	<u>(12,365,619)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	11,813,409	7,491,840
Non-transportation revenue, including advertising, rental and miscellaneous	596,639	378,099
Taxes levied by Santa Barbara County	<u>800,461</u>	<u>865,663</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>13,210,509</u>	<u>8,735,602</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property and equipment	(2,295,289)	\$ (364,996)
State of California Prop 1B grant advance	1,354,304	240,563
Federal, state and local capital grants received	<u>1,952,420</u>	<u>963,664</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>1,011,435</u>	<u>839,231</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Over 90-day certificates of deposit matured	-	2,000,000
Interest earned	<u>51,611</u>	<u>77,989</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>51,611</u>	<u>2,077,989</u>
NET INCREASE IN CASH AND EQUIVALENTS	2,258,461	(712,797)
CASH AND EQUIVALENTS		
Beginning of year	<u>7,774,371</u>	<u>8,487,168</u>
End of year	<u>\$ 10,032,832</u>	<u>\$ 7,774,371</u>
Cash and equivalents	\$ 6,032,343	\$ 5,128,311
Cash restricted for capital support	<u>4,000,489</u>	<u>2,646,060</u>
TOTAL CASH AND EQUIVALENTS	<u>\$ 10,032,832</u>	<u>\$ 7,774,371</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of operating loss to net cash provided (used) by operating activities		
Operating loss	\$ (16,795,498)	\$ (16,981,934)
Charges to cost of service not requiring current expenditure of cash:		
Depreciation	3,321,714	3,245,958
Loss on disposal of assets	25,759	368,338
Changes in		
Accounts receivable - excluding grants	27,580	(57,355)
Inventory	36,322	124,024
Other current assets	13,660	(8,588)
Accounts payable and accrued liabilities net of capital acquisitions	416,392	(194,846)
Compensated absences payable	31,573	69,464
Accrued damage, injury, and employee claims	(16,596)	189,320
Accrued other post employment benefits	<u>924,000</u>	<u>880,000</u>
 NET CASH USED BY OPERATING ACTIVITIES	 <u>\$ (12,015,094)</u>	 <u>\$ (12,365,619)</u>

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 amounts recorded as capital grant revenue in fiscal 2010 and 2009 were \$1,003,756 and \$1,977,286, 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, 2010 and 2009 was approximately \$762,395 and \$709,364, 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 2010 presentation.

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3 - DEPOSITS AND INVESTMENTS

At June 30, 2010 and 2009, the composition of cash deposits consisted of petty cash and change funds, money market accounts, and certificates of deposit as follows:

	<u>2010 Fair</u> <u>Value</u>	<u>2009 Fair</u> <u>Value</u>
Cash deposits		
Money market accounts	\$ 1,928,056	\$ 2,059,529
Prop 1 B-OHS savings	240,688	240,563
Prop 1B-PTMISEA savings	3,759,801	2,405,497
Local Agency Investment Fund (LAIF)	<u>4,034,887</u>	<u>3,000,000</u>
Total cash deposits	9,963,432	7,705,589
Petty cash and change funds	<u>69,400</u>	<u>68,782</u>
Total Fair Value	<u>\$10,032,832</u>	<u>\$ 7,774,371</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, 2010 the District had \$4,000,489 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, 2010 and 2009, are as follows:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Reclassi- fications</u>	<u>Disposals</u>	<u>June 30, 2010</u>
Land*	\$ 5,596,297	\$ -	\$ -	\$ -	\$ 5,596,297
Buildings	12,367,599	-	-	-	12,367,599
Buses	31,828,978	208,387	-	(97,857)	31,939,508
Other equipment	3,407,331	402,195	-	(82,397)	3,727,129
Work in process*	29,676	393,172	-	-	422,849
Research and development	<u>159,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,837</u>
	<u>\$ 53,389,718</u>	<u>\$ 1,003,754</u>	<u>\$ -</u>	<u>\$ (180,254)</u>	<u>\$ 54,213,219</u>
	<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>

* 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 - 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.

Restricted net assets represent 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>2010</u>	<u>2009</u>
State and local grants		
Local Transportation Fund (SB 325)	\$ -	\$ 2,489
State Transit Assistance Fund (SB 620)	305,420	566,330
Federal grants		
FTA Section 5307 - capital grant	266,667	1,194,720
Prop 1B-OHS grants	189,555	6,700
Miscellaneous grants	<u>242,114</u>	<u>207,047</u>
Net grants received	1,003,756	1,977,286
Less: Accumulated depreciation expense - current	(3,321,714)	(3,245,958)
Less: Grant equity on disposal of assets	(180,257)	(866,225)
Add: Accumulated depreciation on disposal of assets	<u>154,498</u>	<u>468,859</u>
Net change in capital grants	(2,343,717)	(1,666,038)
Balance, July 1	<u>28,594,800</u>	<u>30,260,838</u>
Balance, June 30	<u>\$ 26,251,083</u>	<u>\$ 28,594,800</u>

An analysis of the capital funding is as follows:

State and local grants		
Local Transportation Fund (SB 325)	\$ 10,564,329	\$ 10,713,520
State Transit Assistance Fund (SB 620)	10,686,267	10,411,911
Federal grants		
FTA Section 5307	22,051,366	21,784,699
FTA Section 5309	7,040,627	7,040,627
FTA Section 5312	42,512	42,512
District capital	129,329	129,329
Miscellaneous grants	2,702,157	2,270,490
CalStart grant	<u>996,631</u>	<u>996,631</u>
Total Capital Funding	54,213,218	53,389,719
Less: Accumulated depreciation expense	<u>(27,962,135)</u>	<u>(24,794,919)</u>
Net Assets Invested in Capital Assets	<u>\$ 26,251,083</u>	<u>\$ 28,594,800</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>2010</u>	<u>2009</u>
Funding		
Local Transportation Fund (SB 325)	\$ 5,608,291	\$ 6,172,289
State Transit Assistance Fund (SB 620)	<u>305,420</u>	<u>566,330</u>
	<u>\$ 5,913,711</u>	<u>\$ 6,738,619</u>
Usage		
Operations	\$ 5,608,291	\$ 6,169,799
Capital projects	<u>305,420</u>	<u>568,820</u>
	<u>\$ 5,913,711</u>	<u>\$ 6,738,619</u>

Note 9 - FEDERAL GRANTS AND REIMBURSEMENTS

Federal grants and reimbursements for the year ended June 30:

	<u>2010</u>	<u>2009</u>
FTA		
Operating grants	\$ 4,683,102	\$ 4,533,269
Capital grants	<u>266,667</u>	<u>1,194,720</u>
Total	<u>\$ 4,949,769</u>	<u>\$ 5,727,989</u>

Note 10 - RECEIVABLES

Grants receivable at June 30, 2010 and 2009, are summarized as follows:

	<u>2010</u>	<u>2009</u>
Federal Transit Administration - Section 5307	\$ 4,727,001	\$ 5,558,286
Federal Transit Administration - Section 5309	-	1,248,766
Local Transportation Fund (SB 325)	-	544,159
State Transit Assistance (SB 620)	305,420	566,330
Other grants	<u>248,400</u>	<u>-</u>
	<u>\$ 5,280,821</u>	<u>\$ 7,917,541</u>
Other receivables are as follows:		
Trade receivables	<u>\$ 246,059</u>	<u>\$ 273,639</u>

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11 - SICK PAY

Accrued sick pay is summarized as follows:

	<u>2010</u>	<u>2009</u>
Total accrued sick pay	\$ 1,496,251	\$ 1,394,156
Amount of sick pay vested, in accordance with the union agreement, and recorded on the financial statements	<u>385,339</u>	<u>359,066</u>
	<u>\$ 1,110,912</u>	<u>\$ 1,035,090</u>

Note 12 - RETIREMENT PLANS

Two employee groups are covered:

<u>Employee Group</u>	<u>Plan names</u>	<u>2010 Cost</u>	<u>2009 Cost</u>
1. Union	Teamsters	\$ 1,092,886	\$ 1,008,728
2. Non-Union	Profit-Sharing and Salary Deferral Plan and Trust, and Money Purchase Pension Plan and Trust	<u>223,644</u>	<u>220,782</u>
		<u>\$ 1,316,530</u>	<u>\$ 1,229,510</u>

TEAMSTERS PENSION PLAN

This plan covers union employees and is a "cost sharing" plan. The District's total labor in fiscal year 2010 was \$10,186,022 and the District's contributions were based upon a payroll of \$9,050,932 for union employees. In fiscal year 2009 the District's total labor was \$9,699,117 and the District's contributions were based upon a payroll of \$8,489,369 for union employees. The District was required to contribute \$3.18 per work hour, up to a maximum of 173 work hours per month, per union employee in fiscal year 2010. In fiscal year 2009 the contribution rate was \$3.02. Total pension hours was 344,952 in fiscal year 2010, and 332,633 in fiscal year 2009. 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 2010 payroll of \$2,236,441 for non-union employees. The District contributed \$223,644 (10% of covered payroll) and covered employees contributed \$209,288 (9.4% of covered payroll).

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).

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, 2011	\$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>2010</u>	<u>2009</u>
Claims liability - beginning of year	\$ 1,393,277	\$ 1,203,957
Claims and changes in estimates	170,197	887,587
Actual claim payments	<u>(186,793)</u>	<u>(698,267)</u>
Claims liability - end of year	<u>\$ 1,376,681</u>	<u>\$ 1,393,277</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 2011, the District has agreed to provide Easy Lift a subsidy of \$??????? 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, 2011. 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 2010, the rate paid by the District is as follows:

(Rate per vehicle multiplied by miles traveled)

Group A =	\$0.036792
Group A (MCI) =	\$0.049056
Group C =	\$0.0479880

The contractual amounts for fiscal year 2010 are:

Group A =	\$0.0378960
Group A (MCI) =	\$0.050528
Group C =	\$0.049428

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 2010 and related information are as follows:

Annual required contribution	\$ 1,077,000
Interest on net OPEB obligation	44,000
Adjustment to annual required contribution	<u>(37,000)</u>
Annual OPEB cost	1,084,000
Contributions made	<u>(160,000)</u>
Increase in net OPEB obligation	924,000
Net OPEB obligation (asset) beginning of year	<u>880,000</u>

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Net OPEB obligation (asset) end of year	<u>\$ 1,804,000</u>
---	---------------------

First draft

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 2010, were as follows:

<u>Year</u> <u>Ended</u>	Percentage of Annual <u>OPEB Cost</u>	OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
6/30/09	\$ 1,017,000	13.5%	\$ 880,000
6/30/10	\$ 1,084,000	14.8%	\$ 1,804,000

Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2010, was as follows:

Actuarial accrued liability (a)	\$ 12,186,000
Actuarial value of plan assets (b)	<u> -</u>
Unfunded actuarial accrued liability (funding excess) (a) - (b)	<u>\$ 12,186,000</u>
Funded ratio (b) / (a)	0 %
Covered payroll (c)	\$ 10,963,000
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll $([(a) - (b)] / (c))$	111.2 %

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%
Estimated	7/1/2010	\$0	\$12,186	\$12,186	\$0	\$10,989	110.9%

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. The next scheduled actuarial study for the District will be in one year. Funding progress is available for the current and prior year, with an estimate for the year prior to that, as opposed to three years of historical information.

**SANTA BARBARA
METROPOLITAN TRANSIT DISTRICT**

COMPLIANCE REPORTS

JUNE 30, 2010

First draft

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

JUNE 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
Compliance and Internal Control Reports:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 – 2
Report on Compliance over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with the Statute, Rules and Regulations of the <i>California Transportation Development Act</i> and the Allocation Instructions and Resolutions of the <i>Transportation Commission</i>	3 - 4
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	5 - 7
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9 - 11

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, 2010, and have issued our report thereon dated December 9, 2010. 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 the 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 the 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*.

We noted certain matters that we reported to management of the District, in a separate letter dated December 9, 2010.

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.

December 9, 2010

Independent Accountants' Report on
Compliance with Requirements Applicable
To the *Transportation Development Act*

We have examined the Santa Barbara Metropolitan Transit District's (District) compliance with Transportation Development Act (TDA) requirements that funds allocated to and received by the District were expended in conformance with applicable statutes, rules, regulations of the TDA and the allocation instructions and resolutions of the Santa Barbara County Association of Governments as required by Sections 6666 and 6667 of title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations during the fiscal year ended June 30, 2010. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test bases, 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2010.

Also, as part of our examination, we performed tests of compliance to determine whether certain state funds were received and expended in accordance with the applicable bond act and state accounting requirements.

In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by the statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA).

Additionally, section 8879.23 (h) directs that \$1 billion dollars be deposited in the Transit System Safety, Security and Disaster Response Account. This section further directs that \$100 hundred million dollars be made available upon appropriation by the legislature to entities for eligible transit system safety, security and disaster response projects These funds are available to the California Department of Transportation for intercity rail projects and to transit operations in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement.

During the fiscal years ended June 30, 2010, and 2009, the District applied for and received

\$1,352,419 from the State's PTMISEA account for the purpose of procuring replacement transit vehicles and \$240,364 in Transit Security funds for surveillance cameras for its operating facility. As of June 30, 2010, all Proposition 1B funds received and expended were verified in the course of our audit as follows:

	<u>2010</u>	<u>2009</u>	<u>Prior</u>	<u>Total</u>
Proceeds received:				
PTMISEA	\$ 1,352,419	\$ 0	\$2,403,092	\$ 3,755,511
Interest earned	1,720	2,200	0	3,920
OHS	0	240,364	0	240,364
Interest earned	110	214	0	324
Expenditures incurred:	0	0	<u>0</u>	<u>0</u>
Unexpended proceeds				<u>\$ 4,000,119</u>

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.

December 9, 2010

Report on Compliance with Requirements
Applicable to Each Major Program and on
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, 2010. 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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, 2010, and have issued our report thereon dated December 9, 2010. 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.

December 9, 2010

First draft

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2010

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-Y829-01	\$ 4,370,321
Operating/Capital Grant	20.507	CA-90-Y035-02	316,331
ARRA – Capital Assistance	20.507	CA-96-X033	<u>263,117</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,949,769</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2010

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, 2010

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? **No**

Section II—Financial Statement Findings

None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

Section III—Federal Award Findings and Questioned Costs

NO FINDINGS FOR THE YEAR ENDED JUNE 30, 2010

First draft

SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

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

First draft



BOARD OF DIRECTORS REPORT

MEETING DATE: DECEMBER 14, 2010 **AGENDA ITEM #:** 9

TYPE: ACTION ITEM

PREPARED BY: STEVE MAAS

Signature

REVIEWED BY: GENERAL MANAGER

GM Signature

SUBJECT: Renewal of Amtrak Transfer Agreement

RECOMMENDATION:

Authorize General Manager Fisher to sign an agreement extending the Amtrak transfer program through June 30, 2015.

DISCUSSION:

MTD currently has an agreement with Amtrak and Caltrans regarding transfers from Amtrak to MTD. Under the agreement, Amtrak passengers can request two transfers to MTD from the conductor. The passenger provides the MTD driver with the transfer and is allowed to ride MTD for free. MTD then bills Caltrans quarterly for the transfers.

Under both the current agreement (which expires December 31, 2010) and the proposed extension, Caltrans reimburses MTD at the rate of \$1.40 per transfer. (This was increased from the original rate of \$1.00 when MTD raised the base fare in January 2009.)

The program is relatively small. For the most recent quarter, ending September 30, 2010, MTD billed Caltrans for \$161.00.

ATTACHMENT:

- Proposed agreement extending the Amtrak transfer program

DIVISION AGREEMENT NUMBER A six (6) digit number MUST be used U5 - 0 7 5 0 1 8 - 0 0		Add "00" below if \$2,000 or more	DPAC AGREEMENT NUMBER
FOR STATE USE ONLY STD. 204 <input type="checkbox"/> Attached		CERTIFIED <input type="checkbox"/> Small Business <input type="checkbox"/> Micro Business Certification No. _____ Exp. Date _____	
<input type="checkbox"/> CSLB LICENSE NUMBER (Public Works Contract)		DVBE % <input type="checkbox"/> N/A	

Invoice on the Contractor's letterhead must show Agreement number, itemized expenses, service dates, Contractor name, address and phone number.

SUBMIT INVOICE IN TRIPLICATE TO:

1. The parties to this Agreement are:

STATE DEPARTMENT NAME, hereafter called the State . Department of Transportation	CONTRACTOR NAME, hereafter called the Contractor . Santa Barbara Metropolitan Transit District
--	--

2. The agreement term is from January 1, 2011 through December 31, 2011

3. The maximum amount payable is \$4,999.99 broken down into the following component charges:

Wages/Labor \$	Parts/Supplies \$	Taxes \$	Other \$4,999.99	<input type="checkbox"/> If other, attach details
-------------------	----------------------	-------------	---------------------	---

This document is not valid if the total agreed amount exceeds \$4,999.99, including all applicable taxes.

4. Payment Terms One-Time Payment (*Lump sum*) Monthly Quarterly
 (Note: all payments are in arrears.) Itemized Invoice Other (specify payment terms)

5. The Contractor agrees to furnish all labor (at prevailing wage as applicable), equipment and materials, proof of license, insurance and/or bonds necessary to perform the services described herein, and agrees to comply with the terms and conditions identified below, which are made a part hereof by this reference.
 (Outline in exact detail what is to be done, where it is to be done and include work specifications, if applicable.)
 Contractor (local transit agency) will provide one-way ride on their local transit bus to any Amtrak train passenger who presents a Transit Transfer Pass to the bus operator. See agreement attached for specific obligations by Contractor.

EXHIBITS (*Items identified below are hereby incorporated by reference and made a part of this Agreement as if attached hereto.*)

- ◆ General Terms and Conditions (GTC) 307
- ◆ Contractor's Certification Clause (CCC) 307

The GTC 307 and CCC 307 can be viewed at <http://www.ols.dgs.ca.gov/Standard+Language/default.htm>

The Contractor's signature below certifies under penalty of perjury that the CCC 307, as referenced herein, is binding and the certification is made under the laws of the State of California.

In Witness Whereof, this agreement has been executed by the parties identified below:

STATE		CONTRACTOR	
DIVISION NAME Division of Rail	DISTRICT 75	CONTRACTOR NAME (if other than an individual, state whether a corporation, partnership, etc.) Santa Barbara Metropolitan Transit District	
CONTRACT MANAGER/REQUESTER NAME (PRINT) Karl Kasmire	TELEPHONE NUMBER (916) 657-0192	PRINTED NAME AND TITLE OF PERSON SIGNING Sherrie Fisher, General Manager	TELEPHONE NUMBER (805) 963-3364
CONTRACT MANAGER/REQUESTER SIGNATURE	DATE SIGNED	AUTHORIZED BY (Signature)	DATE SIGNED
SUPERVISOR/APPROVING OFFICIAL NAME (PRINT) Lee Goldenberg	ADDRESS Sherrie Fisher Santa Barbara Metropolitan Transit District 550 Olive Street Santa Barbara, CA 93101		
SUPERVISOR/APPROVING OFFICIAL SIGNATURE	EMAIL ADDRESS sfisher@sbmtd.gov		
ADDRESS Caltrans, Division of Rail; 1120 N Street, MS 74 Sacramento, CA 95814			

I hereby certify upon my own personal knowledge that budgeted funds are available for the period and purpose of the expenditure stated above.

SOURCE DISTRICT	SOURCE UNIT	CHARGE DISTRICT		EXPENDITURE AUTHORIZATION		OBJECT CODE
75	802	75				039
FUND TITLE	ITEM	FISCAL YEAR	CHAPTER	STATUTE	ACCOUNTING OFFICER SIGNATURE <i>(Required for agreements \$2,000 and over)</i>	DATE SIGNED
STATE HIGHWAY ACCOUNT						
DPAC APPROVAL	CONTRACT OFFICER SIGNATURE	DATE SIGNED			CONTRACT OFFICER NAME (PRINT)	TELEPHONE NUMBER ()

Agreement Distribution (1 copy each): • Program/Office • Contractor • Original and 1 copy to Service Payables (MS 25) • DPAC, Contracts (MS 65)
 (Not required if paying by CAL-Card; see Instructions) (Not required if paying by CAL-Card)

AGREEMENT BETWEEN CALIFORNIA DEPARTMENT OF TRANSPORTATION,
NATIONAL RAILROAD PASSENGER CORPORATION, AND SANTA BARBARA
METROPOLITAN TRANSIT DISTRICT "SBMTD"
FOR SUBSIDIZED TRANSIT TRANSFER PASSES

THIS AGREEMENT (hereinafter Agreement) is made and entered into effective this January 1, 2011, by and between the California Department of Transportation, (hereinafter DEPARTMENT), the National Railroad Passenger Corporation (hereinafter AMTRAK), and the Santa Barbara Metropolitan Transit District "SBMTD" TRANSIT SYSTEM, (hereinafter AUTHORITY).

1. PURPOSE

The purpose of the Agreement is to set forth the duties and liabilities of each party regarding the establishment and operation of the Transit Transfer Pass Program between the DEPARTMENT and the AUTHORITY. With respect to the AUTHORITY, this program applies to their "SBMTD" service.

2. TERM

This Agreement, effective on January 1, 2011, shall extend from that effective date on a year to year basis until the earliest of the date this Agreement is terminated for convenience or breach as provided in Articles 8 and 9, below, or its expiration on June 30, 2015, unless extended by Amendment.

3. TRANSIT TRANSFER PASS

The Transit Transfer Pass, hereinafter referred to as "Transfer Pass", shall consist of a formatted document mutually approved by the parties hereto, initially as shown in the sample appended hereto as Exhibit A and incorporated herein by this reference. Each Transfer Pass will be valid for a one-way trip, including any AUTHORITY issued transfer of a type regularly available to AUTHORITY paying passengers on AUTHORITY's fixed routes. A maximum of two one-way Transfer Passes can be distributed to each DEPARTED passenger. Each Transfer Pass will include reference to AUTHORITY, either by use of a logo or AUTHORITY's name and a serial number on each Transfer Pass. The Transfer Pass is valid for up to and through the day following issuance. The conductor will punch out the month and day following the date of travel and issuance of the Transfer Pass. Each Transfer Pass will include a calendar, in punch-out form, to be used for validation purposes by the issuing Amtrak train conductor. Changes to the Transfer Pass format and content are subject to the prior mutual approval of DEPARTMENT and AUTHORITY.

4. SCOPE OF TRANSIT SERVICES

Amtrak train conductors will provide the Transfer Pass to all requesting Surfliner Corridor passengers. AUTHORITY agrees to allow each holder of a valid Transfer

Pass to ride its local fixed routes for one Trip commencing on that day of issuance as validated by the Amtrak conductor. AUTHORITY may unilaterally, and without notice or liability to DEPARTMENT, institute changes in the schedule, frequency, or routing of its local fixed routes and DEPARTMENT shall not be entitled to any credit or cost savings associated with such changes.

5. ISSUANCE OF PASSES

- A. By no later than January 1, 2011, DEPARTMENT will initiate implementation of the Transit Transfer Pass Program for Pacific Surfliner Corridor participants (Program), the consistent terms and conditions of which are incorporated herein.
- B. DEPARTMENT will authorize AMTRAK to supply Transfer Passes for issuance to DEPARTMENT passengers at no cost to AUTHORITY. Amtrak conductors will issue Transfer Passes marked with the correct validation date to requesting passengers. Each Transfer Pass will be valid for one one-way trip on AUTHORITY's local fixed routes for the valid period of time as shown on that Pass. One Transfer Pass entitles the holder to an outbound trip and the other Transfer Pass entitles the holder to an inbound (return) trip.

6. COMPENSATION

- A. DEPARTMENT will reimburse AUTHORITY on a quarterly basis for the fare value of the Transfer Passes, based on the number of Transfer Passes collected by AUTHORITY using the fare structure identified in Exhibit B to this Agreement, appended hereto and incorporated herein by this reference.
- B. The parties will review the fares set forth in Exhibit B within 30 days of any AUTHORITY change in its district system fares identified herein and will adjust the fares by an amendment to said Exhibit B or terminate the Agreement.
- C. AUTHORITY shall bear no cost or liability under this Agreement unless expressly set forth herein consistent with appropriated funding.

7. METHOD OF PAYMENT

- A. AUTHORITY shall invoice DEPARTMENT quarterly in arrears. Upon receipt of an acceptable invoice, DEPARTMENT will pay AUTHORITY's invoice within 30 days from the date of receipt.
- B. An invoice will be deemed to be acceptable by DEPARTMENT within five days of receipt of said invoice unless notification is provided by DEPARTMENT to AUTHORITY within these five days stating the amount of disputed charges, detailing the reasons for the disputed charges, and the actions that DEPARTMENT considers necessary to resolve the disputed invoice amount.

C. Each quarterly invoice from AUTHORITY to DEPARTMENT will include the quarterly ridership data by month for all Passes used on the local fixed routes and the corresponding fare structure identified in Exhibit B to this Agreement. If DEPARTMENT fails to compensate AUTHORITY within the time period provided, AUTHORITY may refuse to accept Transfer Passes as valid proof of prepaid fare, notwithstanding the possession by a Transfer Pass holder of an unexpired Transfer Pass.

8. TERMINATION FOR CONVENIENCE

Any party may give notice of its intent to terminate this Agreement without cause by giving at least 30 calendar days advance written notice to the other parties. The termination shall be effective as to all parties on the first day of the month following the 30-day notice period. DEPARTMENT shall pay AUTHORITY for all valid Transfer Passes issued up to the effective date of the termination when processed by AUTHORITY in accordance with the terms of this Agreement following the effective date of termination (that last date for processing a pass will be on the one year anniversary of its issuance).

9. CANCELLATION FOR BREACH

Should any party fail to perform its obligations in accordance with the terms of this Agreement, the other party shall have the right to cancel this Agreement for cause by giving written notice specifying the basis of the breach. The notice shall provide the other party with 10 calendar days within which to cure the breach. If the breach is not cured with said 10 calendar days, then this Agreement shall terminate as to all parties upon the end of said time period.

10. CONTINUATION OF AGREEMENT PROVISIONS

The termination or cancellation of this Agreement under the provisions of Articles 8 or 9 shall not terminate those portions of this Agreement related to the payment of monies owed by one party to another or the indemnification provisions of Article 12 for actions which occurred prior to the termination or cancellation of this Agreement.

11. THIRD PARTY BENEFICIARY

Nothing herein shall create and nothing herein shall establish a standard of care for, or create any rights in, any person not a party to this Agreement.

12. INDEMNIFICATION

Each signatory party agrees, by execution of this Agreement, to defend indemnify and hold harmless the other parties and their directors, employees and agents, and each and every one of them, from and against all actions, damages, claims, losses, or expenses of every type and description to which those parties may be subject or put to

by reason of, or as a result of, active negligence or willful misconduct by the indemnifying party in its administration of the Transit Transfer Pass Program and this Agreement.

13. RELATIONSHIP BETWEEN THE PARTIES

Nothing in this Agreement is intended to create, and nothing herein shall be considered as creating any partnership, joint venture or agency relationship between the parties. Parties to this Agreement understand and acknowledge that this Agreement is not a contract of employment. Each party shall be liable for any workers' compensation or any other benefits accruing under Federal or State laws for acts of any employee or employees employed by that party in connection with this Agreement and each party agrees to provide workers' compensation for their own employees in accordance with State law.

14. NONWAIVER

No waiver of any breach of any term of condition of this Agreement shall be construed to be a waiver for any successive breach of the same or any other term or condition of this Agreement. No delay in enforcing any legal right pursuant to this Agreement shall affect in any way its right to elect and attempt to enforce a right under this Agreement. No election to enforce any right or remedy which a party may have shall affect its right to elect and enforce any other right or remedy which it may have either simultaneously or subsequently.

15. MODIFICATION

No waiver, alteration, modification, termination or cancellation of this Agreement shall be valid unless made in writing and signed by the authorized parties hereto.

16. NOTICES

All notices and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (1) on the date of delivery, if delivered personally to the party to whom notice is given, or if made by telecopy directed to the party to whom notice is to be given at the telecopy number listed, or (ii) at the earlier of actual receipt or the second business day following deposit in the United States mail, postage prepaid. Notices and other communications shall be directed to the parties at the address shown below. A party may change the person designated to receive notice, telecopy number, or address from time to time by giving notice to the other party in accordance with the procedures set forth in this Article 16.

AUTHORITY: Sherrie Fisher
General Manager
Santa Barbara Metropolitan Transit District
550 Olive Street
Santa Barbara, CA 93101
Phone: (805) 963-3364
FAX: (805) 962-4794

DEPARTMENT: William D. Bronte, Chief
Division of Rail
California Department of Transportation
1120 "N" Street, Mail Station 74
Sacramento, CA 95814
Phone: (916) 653-3060
FAX: (916) 653-4565

AMTRAK: Patrick Merrill, Assistant Vice President
Office of Policy Development West
National Railroad Passenger Corporation
530 Water Street, Fifth Floor
Oakland, CA 94607
Phone: (510) 238-4343
FAX: (510) 433-5685

17. GOVERNING AUTHORITY

The interpretation and enforcement of this Agreement shall be governed by the laws of the State of California, the State in which this Agreement was executed, without regard to choice of law principles. The parties agree to submit any dispute arising under this Agreement to a court of competent jurisdiction located in San Luis Obispo, California.

18. SEVERABILITY

If any term, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, the remainder of this Agreement shall remain in full force and effect.

19. COUNTERPARTS

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

20. CAPTIONS

The headings or captions to the Articles of this Agreement are not a part hereof and shall have no effect upon the construction or interpretation of any part of this Agreement.

21. INTEGRATION

This Agreement embodies the entire agreement of the parties in relation to the scope of services herein and no other agreement or understanding, verbal or otherwise, exists between the parties.

22. STATE FUND LIMIT

The total of all State reimbursements or payments obligated and encumbered under this Agreement shall not exceed FOUR THOUSAND NINE HUNDRED AND NINETY-NINE DOLLARS AND NINETY-NINE CENTS (\$4,999.99) per year.

IN WITNESS WHEREOF THE PARTIES ENTERED INTO THIS agreement on the day
and year first hereinabove appearing.

ACCEPTED AND AGREED THIS

1st day of January, 2011

SANTA BARBARA METROPOLITAN
TRANSIT DISTRICT

By: _____
Sherrie Fisher
General Manager

APPROVED AS TO FORM
Agency Attorney

By: _____

Attorney
SBMTD

CALIFORNIA DEPARTMENT OF
TRANSPORTATION
DIVISION OF RAIL

By: _____
William D. Bronte
Chief
Division of Rail

APPROVED AS TO FORM
Department Attorney

By: _____
Matthew George
Attorney
Legal Division

NATIONAL RAILROAD PASSENGER
CORPORATION

By: _____
Patrick Merrill
Assistant Vice President
Office of Policy Development West

Exhibit A
TRANSIT TRANSFER PASS

(Artwork Pending)

Exhibit B

FARE STRUCTURE FOR REIMBURSEMENT OF TRANSIT TRANSFER PASS

AGREEMENT BETWEEN
CALIFORNIA DEPARTMENT OF TRANSPORTATION AND SANTA BARBARA
METROPOLITAN TRANSIT DISTRICT (SBMTD)

The DEPARTMENT will reimburse AUTHORITY at the rate of \$1.40 per transfer for each Pass collected by AUTHORITY. This rate is the general passenger fare used for all San Barbara Metropolitan Transit District service.

To: Chair Davis
Members of the Board of Directors
From: Sherrie Fisher, General Manager
Date: 12/10/10
Subject: Administrative Update

Staff is currently working on background and reference checks on candidates to fill 3 open driver trainee position.

The Transit Development Department has begun scheduling familiarization tours to assist our blind passengers with the proper way of interacting with a farebox. The new fare structure will become effective January 1, 2011.

Staff has been working with Santa Barbara Waterfront staff to coordinate additional shuttle service for the arrival of the next cruise ship on December 19th.

MTD once again provided Seaside Shuttle service for First Friday in Carpinteria, a total of four passengers were carried.

Verification of Transit Training classes were held this week. The subject matter was "Prevention of Sexual Harassment, Hostile Work Environment, and Discrimination at the Workplace". The presenter was William Degan, Esq.

Both the City of Carpinteria and the Carpinteria Chamber of Commerce have requested the use of Seaside Shuttles in the annual Carpinteria Holiday parade. There will be no interruption of service, except for a detour from Linden Ave to Maple Street. A 29-Foot Gillig will be brought to Carpinteria to temporarily provide Seaside Shuttle service while the parade is taking place.

David Damiano was a presenter at the December 9th Central Coast Clean Cities Coalition (C5) meeting where he showcased some of MTD's accomplishments. Areas discussed included outstanding ridership numbers and how that relates to per capita usage in our service area. Also, successes in the battery electric shuttle program and the hybrid electric program were discussed. The meeting was well attended and the presentation was very well received.

Staff continues to work with SBCAG and VCTC regarding the potential provision of peak-period commuter bus service from Ventura County into the District. Staff also continues to work with SBCAG staff regarding the provision of "last mile" connector service for the potential Amtrak Surfliner peak-period train service.

Staff attended a meeting of SBCAG's Technical Transportation Advisory Committee (TTAC) on Thursday, December 2nd. MTD is a voting member of TTAC. The meeting included consideration of a draft addendum to the Measure A Strategic Plan that discusses the hardships faced by local jurisdictions due to the Measure A projects requiring much of the regional roadway funding for the next 30 years. TTAC also recommended that the SBCAG Board approve the proposed policy on the application of farebox recovery ratio standards to transit operators in Santa Barbara County. The policy does not change MTD's requirement.

Bus #906 has fuel in the engine oil and diagnosis is in progress. Bus #418 has engine oil or fuel transferring into the exhaust system and diagnosis is also in progress. Bus #410 will be taken to Western States Transmission for warranty repair.

Work continues on build-up of the second set of LiFEPO4 batteries. The BMS modules from EV Power Australia have been installed on this battery set. Several test charges and discharges will be run prior to installation in EV 19.

Bus #710 is at Valley Power Systems for installation of the Johnson Matthey AdvCCRT low NOx DPF system. Buses #707 and #708 are complete and #709 will follow #710.

The rear brake lining sets for the E-Bus EV rear brakes manufactured by Brake Parts Inc. (Raybestos Manhattan branded) have been received. Experience following several future installations will tell if this is a solution to the ongoing shoe wear problem.

The engineer from Donaldson was here on Monday, November 29th and recorded exhaust data on Gillig's 711-713. The exhaust data is needed to assure the DPF's will not cause excessive back pressure and will passively regenerate.

Materials Manager, Steve Hahn and Superintendent of Maintenance, Mike Cardona attended a pre-production meeting at Gillig on December 9th. Both the diesel and diesel-hybrid orders were discussed.

Signs advising the public of video surveillance have been installed at the Transit Center.

A new drinking water fountain has been installed at the Transit Center.