

**AGENDA**  
**SANTA CRUZ METRO BOARD OF DIRECTORS**  
**REGULAR MEETING OF FEBRUARY 8, 2013**  
**8:30 AM**



*Mission Statement: "To provide a public transportation service that enhances personal mobility and creates a sustainable transportation option in Santa Cruz County through a cost-effective, reliable, accessible, safe, clean and courteous transit service."*

**THE BOARD MEETING AGENDA PACKET CAN BE FOUND ONLINE AT  
[WWW.SCMTD.COM](http://WWW.SCMTD.COM) AND IS AVAILABLE FOR INSPECTION AT SANTA CRUZ METRO'S  
ADMINISTRATIVE OFFICES LOCATED AT 110 VERNON STREET, SANTA CRUZ, CALIFORNIA**

- |                          |   |                              |
|--------------------------|---|------------------------------|
| <input type="checkbox"/> | <i>Director Margarita Alejo</i>           | <i>City of Watsonville</i>   |
| <input type="checkbox"/> | <i>Director Hilary Bryant, Vice Chair</i> | <i>City of Santa Cruz</i>    |
| <input type="checkbox"/> | <i>Director Dene Bustichi</i>             | <i>City of Scotts Valley</i> |
| <input type="checkbox"/> | <i>Director Daniel Dodge, Chair</i>       | <i>City of Watsonville</i>   |
| <input type="checkbox"/> | <i>Director Zach Friend</i>               | <i>County of Santa Cruz</i>  |
| <input type="checkbox"/> | <i>Director Ron Graves</i>                | <i>City of Capitola</i>      |
| <input type="checkbox"/> | <i>Director Michelle Hinkle</i>           | <i>County of Santa Cruz</i>  |
| <input type="checkbox"/> | <i>Director Deborah Lane</i>              | <i>County of Santa Cruz</i>  |
| <input type="checkbox"/> | <i>Director John Leopold</i>              | <i>County of Santa Cruz</i>  |
| <input type="checkbox"/> | <i>Director Bruce McPherson</i>           | <i>County of Santa Cruz</i>  |
| <input type="checkbox"/> | <i>Director Lynn Robinson, Chair</i>      | <i>City of Santa Cruz</i>    |
| <input type="checkbox"/> | <i>Ex-Officio Director Donna Blitzer</i>  | <i>UC Santa Cruz</i>         |

*Leslie R. White, General Manager / Secretary of the Board*  
*Leslyn K. Syren, District Counsel*


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**TITLE 6 - INTERPRETATION SERVICES / TÍTULO 6 - SERVICIOS DE TRADUCCIÓN**

*Spanish language interpretation and Spanish language copies of the agenda packet are available on an as-needed basis. Please make advance arrangements with Tony Tapiz, Administrative Services Coordinator at 831-426-6080. Interpretación en español y traducciones en español del paquete de la agenda están disponibles sobre una base como-necesaria. Por favor, hacer arreglos por adelantado con Tony Tapiz, Coordinador de Servicios Administrativos al numero 831-426-6080.*

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**AMERICANS WITH DISABILITIES ACT**

 *The Board of Directors meets in an accessible facility. Any person who requires an accommodation or an auxiliary aid or service to participate in the meeting, or to access the agenda and the agenda packet (including a Spanish language copy of the agenda packet), should contact Tony Tapiz, Administrative Services Coordinator, at 831-426-6080 as soon as possible in advance of the Board of Directors meeting. Hearing impaired individuals should call 711 for assistance in contacting Santa Cruz METRO regarding special requirements to participate in the Board meeting. For information regarding this agenda or interpretation services, please call Santa Cruz METRO at 831-426-6080.*

**AGENDA  
SANTA CRUZ METRO BOARD OF DIRECTORS  
REGULAR MEETING OF FEBRUARY 8, 2013  
PAGE 2 OF 4**

MEETING LOCATION:  
SANTA CRUZ METRO ADMINISTRATIVE OFFICES  
110 VERNON STREET, SANTA CRUZ

8:30 A.M.

NOTE: THE BOARD CHAIR MAY TAKE ITEMS OUT OF ORDER

**SECTION I: OPEN SESSION**

1. CALL TO ORDER

2. ROLL CALL

3. ANNOUNCEMENTS

4. COMMUNICATIONS TO THE BOARD OF DIRECTORS

*This time is set aside for Directors and members of the general public to address any item not on the Agenda which is within the subject matter jurisdiction of the Board. No action or discussion shall be taken on any item presented except that any Director may respond to statements made or questions asked, or may ask questions for clarification. All matters of an administrative nature will be referred to staff. All matters relating to Santa Cruz METRO will be noted in the minutes and may be scheduled for discussion at a future meeting or referred to staff for clarification and report. Any Director may place matters brought up under Oral and Written Communications on a future agenda. In accordance with District Resolution 69-2-1, speakers appearing at a Board meeting shall be limited to three minutes in his or her presentation. Any person addressing the Board may submit written statements, petitions or other documents to complement his or her presentation. When addressing the Board, the individual may, but is not required to, provide his/her name and address in an audible tone for the record.*

4-1. PETITION TO REINSTATE SERVICE TO LA POSADA

Lynn Gallagher, et al, Santa Cruz, California

4-2. CORRESPONDENCE REGARDING SERVICE TO FREDERICK STREET

Neal Coonerty, Supervisor, Fifth District, Santa Cruz County

5. LABOR ORGANIZATION COMMUNICATIONS

6. ADDITIONAL DOCUMENTATION TO SUPPORT EXISTING AGENDA ITEMS

**CONSENT AGENDA**

*All items appearing on the Consent Agenda are recommended actions which are considered to be routine and will be acted upon as one motion. All items removed will be considered later in the agenda. The Board Chair will allow public input prior to the approval of the Consent Agenda items.*

7-1. MONTHLY BUDGET STATUS REPORTS YEAR TO DATE AS OF NOVEMBER 30, 2012

Submitted by Angela Aitken, Finance Manager

7-2. ACCEPT AND FILE PRELIMINARILY APPROVED CLAIMS FOR THE MONTH OF NOVEMBER 2012

Submitted by Angela Aitken, Finance Manager

**AGENDA**  
**SANTA CRUZ METRO BOARD OF DIRECTORS**  
**REGULAR MEETING OF FEBRUARY 8, 2013**  
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- 7-3. ACCEPT AND FILE FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT FOR YEAR ENDED JUNE 30, 2012  
Presented by Angela Aitken, Finance Manager
- 7-4. CONSIDERATION OF METROBASE STATUS REPORT  
Submitted by Frank Cheng, IT Manager and METROBase Project Manager
- 7-5. CONSIDERATION OF AUTHORIZING THE GENERAL MANAGER TO EXECUTE A CONTRACT AMENDMENT WITH UNITED INDUSTRIES GROUP, INC. TO EXTEND THE CONTRACT FOR A THREE-MONTH PERIOD  
Submitted by Erron Alvey, Purchasing Agent
- 7-6. ACCEPT AND FILE REPORT ON THE STATE OF CALIFORNIA BUDGETS AS PROPOSED AND THEIR IMPACTS ON TRANSIT FUNDING, SPECIFICALLY STATE TRANSIT ASSISTANCE (STA) FUNDING FOR FY13 AND FY14  
Submitted by Tove Beatty, Grants/Legislative Analyst

**REGULAR AGENDA**

- 8. CONSIDERATION OF ADOPTION OF A RESOLUTION ESTABLISHING THE MEETING TIMES OF THE BOARD OF DIRECTORS AS 8:00 AM FOR THE PERIOD OF FEBRUARY 22, 2013 THROUGH MAY 24, 2013  
Presented by Leslie R. White, General Manager & Leslyn K. Syren, District Counsel
- 9. CONSIDERATION OF AUTHORIZING THE GENERAL MANAGER TO EXECUTE A LEASE AGREEMENT WITH WAVE CREST DEVELOPMENT, INC, 3D FAMILY LIMITED PARTNERSHIP, AND LAWRENCE MICHAELS FAMILY LIMITED PARTNERSHIP FOR PROPERTY LOCATED AT 135 DU BOIS STREET, SANTA CRUZ, CA FOR THE JUDY K. SOUZA OPERATIONS BUILDING BUS PARKING TEMPORARY RELOCATION  
Presented by Frank Cheng, IT Manager and METROBase Project Manager
- 10. CONSIDERATION OF AUTHORIZING THE GENERAL MANAGER TO EXECUTE A CHANGE ORDER CONTRACT AMENDMENT WITH LEWIS C. NELSON AND SONS FOR SCOPE OF WORK RELATED TO THE JUDY K. SOUZA OPERATIONS BUILDING RELOCATION IN AN AMOUNT NOT TO EXCEED \$250,000.00  
Presented by Frank Cheng, IT Manager and METROBase Project Manager
- 11. CONSIDERATION OF AUTHORIZING THE GENERAL MANAGER TO EXECUTE A CONTRACT AMENDMENT WITH RNL DESIGN, INC. FOR GEOTECHNICAL ENGINEERING SERVICES AND SPECIALTY INSPECTIONS IN AN AMOUNT NOT TO EXCEED \$175,000.00  
Presented by Frank Cheng, IT Manager and METROBase Project Manager
- 12. CONSIDERATION OF AUTHORIZING THE GENERAL MANAGER TO EXECUTE A CONTRACT AMENDMENT WITH TRC SOLUTIONS, INC. FOR PRE-STRESSED PILE TESTING AND INSPECTIONS IN AN AMOUNT NOT TO EXCEED \$25,000.00  
Presented by Frank Cheng, IT Manager and METROBase Project Manager

**AGENDA**  
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**PAGE 4 OF 4**

**SECTION II: CLOSED SESSION** - Immediately following Open Session

1. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION  
(Pursuant to Government Code Section 54956.9)

Name of Case: Erika Guido v. Santa Cruz METRO, et al., Case No. CV173322  
(Before the Superior Court of Santa Cruz County)

2. CONFERENCE WITH LABOR NEGOTIATOR  
(Pursuant to Government Code Section 54957.6)

Agency Negotiators: Les White, General Manager, Robyn Slater, Human  
Resources Manager

Employee Organizations: United Transportation Union (UTU), Local 23 Fixed Route, United  
Transportation Union (UTU), Local 23 Paracruz, Service  
Employees International Union (SEIU), Local 521

**SECTION III: RECONVENE TO OPEN SESSION**

13. REPORT OF CLOSED SESSION: District Counsel

14. ORAL ANNOUNCEMENT

The next regularly scheduled Board meeting will be held Friday, February 22, 2013 at 8:00  
a.m. at the Watsonville City Council Chambers, 275 Main Street, Watsonville, California.

15. ADJOURNMENT

Adjourn to the next Board of Directors meeting.

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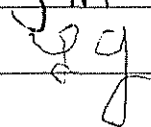
*Pursuant to Section 54954.2(a)(1) of the Government Code of the State of California, this agenda was posted at least 72 hours in advance of the scheduled meeting at a public place freely accessible to the public 24 hours a day. The agenda packet and materials related to an item on this Agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the Santa Cruz METRO Administrative Office (110 Vernon Street, Santa Cruz) during normal business hours. Such documents are also available on the Santa Cruz METRO website at [www.scmtd.com](http://www.scmtd.com) subject to staff's ability to post the document before the meeting.*

Board of Directors

January 23, 2013

Enclosed, please find a petition that we  
re-submit after 7 years of waiting  
patiently for our vital service to be  
reinstated. We appreciate your  
expedient attention.

Sincerely,

Lynn Gallagher  


We the residents and staff of La Posada re-submit this petition for bus service. Our service was suspended in 2004 and we have been awaiting the agreed upon reinstatement for many years. Now there are many new people who have joined our community and a fresh burst of enthusiasm for the expansion of our transportation needs. Many of us who live here, find crossing Soquel insurmountable, dangerous, and an unavailable option. In addition to our senior community, the senior community at Gault Street apartments has petitioned for the reinstated line; as well as Dominican Rehab center. We implore you to return our bus service and our wider access to the community.

1	Lynn Gallagher #125	Lynn Gallagher
2	J. Summer Rogers # 114	J. Summer Rogers
3	Lynn Stanislawsky # 313	Lynn Stanislawsky
4	LORRAINE LAMBERT 123	Lorraine Lambert
5	KIRK SCHWARTZ 154	Kirk Schwartz
6	GLORIA BENEDICT 213	Gloria Benedict
7	Dennis Trucco	DENNIS TRUCCO 111
8	RUTH PIZZI 211	Ruth Pizzi
9	LYDIA GALLICK 1K	Lydia Gallick
10	Lyn Harviden	Lyn Harviden #144
11	Carol Straus 108	Carol Straus
12	Pat Laffoon #200	Pat Laffoon
13	Wendy D Thomas # 175	Wendy D Thomas
14	Anne Whitson 470	Anne Whitson

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15	Helan Mc Kinney 106	Helan N Mc KINNEY
16	STELLA HOWE LITTLE 171	Stella Howe Little 171
17	Ralph Silvestri 315	Ralph SILVESTRI
18	NOREEN SANTALUCE 167	Noreen Santaluce
19	Jackie Schenker 163	Jackie Schenker
20	ANTOINE ZEIND #343	Antoine Zeind
21	Jo Summer Roger #114	Jo Summer 2
22	Vivienne Magleby #122	Beryl Vivienne Magleby
23	MARY E. WHITE	Mary E. White 153
24	FRANK COSIO 149	Frank Cosio
25	ROBERT W THOMAS	Robert W Thomas 250
26	CIVETTA Opal 472	Opal Civetta
27	Tony Sabzar Staff	Tony Sabzar
28	FRANK COSIO 149	Frank Cosio

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29	Patty Miller Rm 113	PATTY MILLER Rm 113
30	WALTER PINGREE Rm	Walter E. Pingree 355
31	JOHN WHEELER 174	John Wheeler
32	Jim Sommer 220	Jim Sommer
33	EUNICE LAUDER 331	Eunice Lauder
34	FLORENCE SULLIVAN 107	Florence Sullivan
35	DORIS EARNshaw 210	Doris Earnshaw
36	MARIAN HAMMOND 272	Marian Hammond
37	C NICK COSTA 342	<i>(Signature)</i>
38	ANGIWE ZEIND 343	Angiwe Zeind
39	Marshall Rackleff 205	Marshall Rackleff
40	Kenny Gordon staff	Kenny Gordon
41	Elvira M. G. staff	Elvira M.G.
42	Adriana Luevano Staff	Adriana Luevano



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43	Louis A Leary	LOUIS A LEARY #251
44	NICK CLARK	Nicholas Clark staff
45	MARTHA CHESSON	Martha Chesson apt. 156
46	Wilbert Wickert	<del>Wilbert Wickert</del> # 349
47	Maria Camberos staff	María Camberos
48	KRIS Wheeler	Kris Wheeler 174
49	Sumone Rowland	Simone Rowland 352
50	Martin Rojas staff	Martin Rojas
51	Annie Abbott staff	Annie Abbott
52	Vicki Weaggle #150	Vicki Weaggle
53	Alice Smalley	Alice Smalley 231
54	MARGE Specht	Marge Specht 307
55	Christopher CRUZ emp	Thelma Marlowe
56	Yatchil Cruz emp	Thelma Marlowe #139

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57	MARGARET ELIZONDO 308	Margaret Elizondo
58	JANA OLSON	Jana Olson 234
59	Audrey Petersen	Audrey Petersen 138
60	CAROL SWIFT 260	Carol Swift
61	NORMA LEONARD 151	Norma Leonard
62	SHIRLEY BUELL	Shirley Buell 212
63	Margaret Knight 246	Margaret Knight
64	Janet Bedolla staff	Janet E. Bedolla
65	VIRGINIA FLOWER	Virginia Flower 120
66	Carol Strauss 108	Carol Strauss
67	LADENE SMARDAN	Ladene Smardan 262
68	DORIS BURGER	Doris Burger 349
69	Dot Rodgers	Martha Rodgers 204
70	Lila Munk	Lila Munk 155

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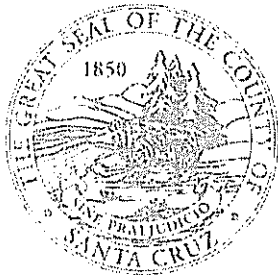
71	Lotus L. MONROE	Lotus Monroe 339
72	Jacqueline Tuttle staff	Jacqueline Tuttle
73	Aline Heath	ALINE HEATH 1102
74	Patricia Jennerjohn	Patricia Jenner 169
75	ESTHER SHAMBLEY	Esther Shambley 201
76	SHARI CHANG	Shari Chang STAFF
77	A DOREY ROY	A Dorey Roy 260
78	ELEANOR PARADISE	Eleanor Paradise 346
79	PERA SINCLAIR	Pera Sinclair STAFF
Ed 80	Ed Dety	Ed Dety STAFF
81	Martha A. JERNBERG	Martha A. Jernberg 354
82	GLORIA M. BENEDICT	Gloria M. Benedict 213
83	Constance Sharp	Constance Sharp 275
84	VINA B. Bouley - Naylor	Vina B. Bouley - Naylor 305

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85	Sarah Schiffrin	Sarah Schiffrin	311
86	Rosemarie Cross	Rosemarie Cross	112
87	BARBARA HRONESKI	Barbara Hroneski	210
88	Eduardo Hernandez	<del>Eduardo Hernandez</del>	STAFF
89	Monica Martinez	* <del>Monica</del>	STAFF
90	Leticia Arguello M	Leticia Arguello	STAFF
91	Rose Howard	Rose Howard	255
92	UOE Howard	Joe Howard	255
93	AGNES RUSH	Agnes Rush	243
94	Helen Landino	Helen Landino	1100
95	Ajina Orion	Ajina Orion	STAFF
96	Janet Cotton	Janet Cotton	244
97	Miguel Ortiz	<del>Miguel Ortiz</del>	STAFF
98	LU CHEN 108	Lu Chen	

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	- Print	Sign. Room #
19	Bill GOODIANO - STAFF	Bill Goodiano
20	Jane C. Oulahan	Jane C. Oulahan 254
21	Richard H. Buchanan	Richard H. Buchanan 256
2	FORREST ADKINS	Forrest Adkins
<hr/>		
103	JEWELL HOWDIESHA	Jewell Howdiesha 143
104	Cathy Yost	CATHY YOST 268
105	MARGARET CORWIN	Margaret Corwin 128
106	FLORENCE QUICK	Florence Quick 300
107	WILLIAM A QUICK	William A Quick 300
108	MARIANNA KLIZNIAR	Marianna Klizniar 142
109	NORMA BECKTOLD	Norma Beckett 145



# County of Santa Cruz

## BOARD OF SUPERVISORS

701 OCEAN STREET, SUITE 500, SANTA CRUZ, CA 95060-4069  
(831) 454-2200 • FAX: (831) 454-3262 TDD: (831) 454-2123

JOHN LEOPOLD  
FIRST DISTRICT

ZACH FRIEND  
SECOND DISTRICT

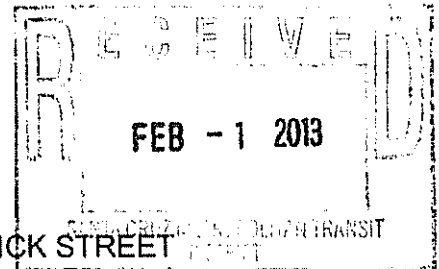
NEAL COONERTY  
THIRD DISTRICT

GREG CAPUT  
FOURTH DISTRICT

BRUCE MCPHERSON  
FIFTH DISTRICT

January 31, 2013

Santa Cruz Metropolitan Transit District Board  
110 Vernon Street  
Santa Cruz, CA 95060



RE: RESTORATION OF BUS SERVICE ON FREDERICK STREET  
IN SANTA CRUZ CITY

Dear Members of the Board:

The purpose of this letter is to urge you to restore bus service along Frederick Street in the City of Santa Cruz in order to serve the residents of La Posada, the Dominican Rehabilitation facility, and the Gault Street Apartments.

I am very aware of the challenges you face in providing adequate services to the people of Santa Cruz County during a time of constrained revenues. Certainly the desire to operate the most cost effective service is an important priority. However, I don't think it can be the only priority. Our community contains many lower income, transit dependent seniors and disabled people. In the City of Santa Cruz, a significant number of these people live in the area around La Posada on Frederick Street.

I know that there is a bus stop not far away on Soquel Avenue. However, anyone crossing Soquel at that intersection takes their life in their hands. Although there is a traffic light, a crosswalk, and Walk/Don't Walk signs, there are always cars waiting to turn right onto Frederick Street even when the light favors pedestrians. For frail seniors, people with walkers, or for those in wheelchairs, crossing at that intersection is daunting. One scary experience makes additional crossings unlikely.

One of your dilemmas is how to operate an efficient transit system while serving those of your constituents most in need. The area around La Posada contains a concentration of people most in need of usable transit service. Please restore service to this area.

Thank you for your consideration.

Sincerely,

NEAL COONERTY, Supervisor  
Third District

NC:ted

1783A3

# SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

**DATE:** February 8, 2013  
**TO:** Board of Directors  
**FROM:** Angela Aitken, Finance Manager  
**SUBJECT: MONTHLY BUDGET STATUS REPORTS YEAR TO DATE AS OF  
NOVEMBER 30, 2012**

## I. RECOMMENDED ACTION

**That the Board of Directors accept and file the monthly budget status reports year to date as of November 30, 2012**

## II. SUMMARY OF ISSUES

- **Operating Revenues** year to date as of November 30, 2012 were \$378K or 2 % over the amount of revenue expected for the same period year to date.
- **Consolidated Operating Expenses** year to date as of November 30, 2012 were \$913K or 5 % under budget.
- **Capital Budget** spending year to date through November 30, 2012 was \$1,045K or 3 % of the Capital budget.

## III. DISCUSSION

An analysis of Santa Cruz METRO's budget status is prepared monthly in order to apprise the Board of Directors of Santa Cruz METRO's actual revenues, expenses and capital in relation to the adopted operating and capital budgets for the fiscal year. The attached revenue, expense and capital reports represent the status of Santa Cruz METRO's FY13 operating and capital budgets versus actual expenditures year to date.

The fiscal year has elapsed **42%**.

**A. Operating Revenue**

Operating Revenues year to date as of November 30, 2012 were \$378K or 2 % over the amount budgeted. Revenue variances are primarily due to higher than anticipated Passenger Fares (Bulk Purchase) and Sales Tax Revenue.

- **Passenger Fares** are over budget due to higher than anticipated sales of tickets in bulk.
- **Sales Tax Revenue** is over budget due to higher than anticipated receipts year to date through November 30, 2012. The 7 % growth in Sales Tax year over year, as of November 30, 2012 reflects continuing improvement in consumer spending.

**B. Consolidated Operating Expenses**

Consolidated Operating Expenses year to date as of November 30, 2012 were \$913K or 5 % under budget. Personnel Expenses, Services, Mobile Materials & Supplies, Casualty & Liability and Miscellaneous Expenses all contributed to the variance.

- **Total Personnel Expenses** are under budget due to vacant funded positions and extended leaves, as well as anticipated increase in Medical Insurance costs, effective in January 2013, while the budget is straight lined.
- The majority of the variance in **Services** is due to **Repair – Equipment** and **Repair-Rev Vehicle** costs. Repair – Equipment and Repair – Rev Vehicle are under budget due to the inability to anticipate when repair costs will be incurred, while the budget is straight lined.
- **Mobile Materials & Supplies** are under budget due to lower than anticipated prices of fuel.
- **Casualty & Liability** is under budget mostly due to less than anticipated settlement costs year to date as of November 30, 2012.
- **Miscellaneous** expenses are under budget primarily due to **Employee Training** and **Travel**. Training and Travel expenses will be incurred later in the year, while the budget is straight lined.



**C. Capital Budget**

Capital Budget spending year to date through November 2012 was \$1,045K or 3 % of the total Capital Budget. Of this, \$441K has been spent on the Video Surveillance Project – CCTV (State-1B), and \$210K has been spent on the Land Mobile Radio Project (State-1B).

**IV. FINANCIAL CONSIDERATIONS**

STIC, Funds from Carryover from Previous Years, STA, and Operating Reserves will be used in the listed order to bridge the budget gap at the end of the fiscal year, when the amount of the operating income/loss for the year is determined. In the meantime, the amount of operating income/loss year to date is reported in the monthly budget status reports.

**Attachment A:** FY13 Operating Revenue & Expenses Year to Date as of 11/30/12

**Attachment B:** FY13 Capital Budget Report for the month ending – 11/30/12

Prepared by: Kristina Mihaylova, Sr. Financial Analyst

Date Prepared: January 28, 2012

# Attachment A

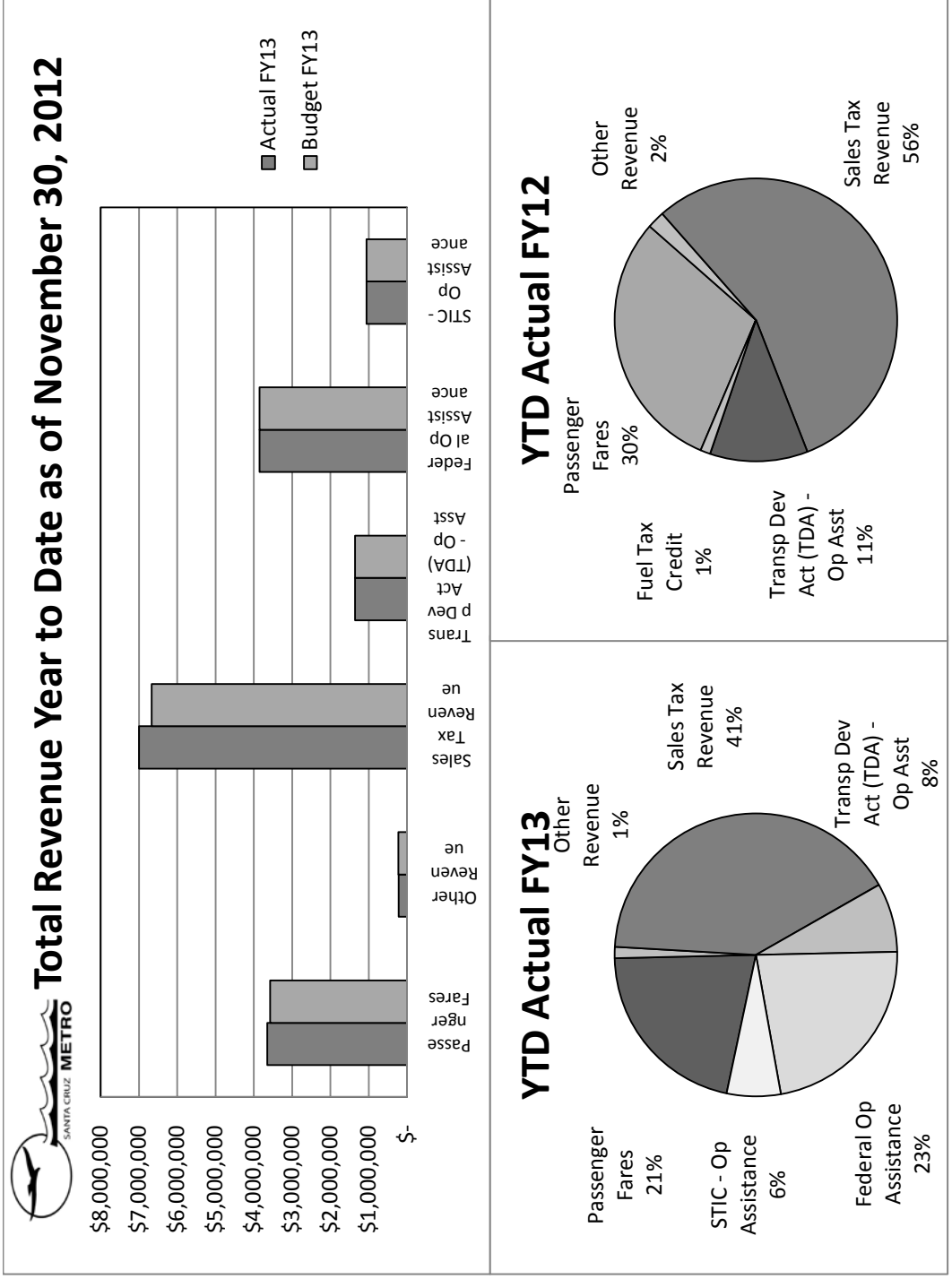


## FY13

### Operating Revenue & Expenses Year to Date as of November 30, 2012

	Year to Date		YTD Year Over Year Comparison		
	Actual	Budget	Actual	\$ Var	% Var
<b>Revenue:</b>					
Passenger Fares	\$ 3,647,427	\$ 3,577,268	\$ 3,533,306	\$ 114,121	3%
Other Revenue	\$ 217,408	\$ 228,567	\$ 234,895	\$ (17,487)	-7%
Sales Tax Revenue	\$ 6,994,171	\$ 6,670,958	\$ 6,527,132	\$ 467,039	7%
Transp Dev Act (TDA) - Op Asst	\$ 1,353,330	\$ -	\$ 1,311,241	\$ 42,089	3%
Federal Op Assistance	\$ 3,852,288	\$ -	\$ -	\$ 3,852,288	100%
Other Op Assistance/Funding	\$ -	\$ 4,166	\$ 2,043	\$ (2,043)	-100%
STA - Op Assistance	\$ -	\$ -	\$ -	\$ -	0%
STIC - Op Assistance	\$ 1,057,097	\$ 1,057,097	\$ -	\$ 1,057,097	100%
Fuel Tax Credit	\$ -	\$ -	\$ 133,096	\$ (133,096)	-100%
Transfers (to)/ from Reserves	\$ -	\$ -	\$ -	\$ -	0%
<b>Total Revenue</b>	<b>\$ 17,121,722</b>	<b>\$ 16,743,674</b>	<b>\$ 11,741,713</b>	<b>\$ 5,380,009</b>	<b>46%</b>
<b>Expenses:</b>					
Labor	\$ 7,394,467	\$ 7,084,541	\$ 6,302,911	\$ 1,091,555	17%
Fringe Benefits	\$ 6,406,176	\$ 6,830,785	\$ 5,942,856	\$ 463,320	8%
Services	\$ 937,399	\$ 1,161,516	\$ 884,494	\$ 52,905	6%
Mobile Materials & Supplies	\$ 1,231,769	\$ 1,468,021	\$ 1,158,049	\$ 73,720	6%
Other Materials & Supplies	\$ 151,819	\$ 138,853	\$ 110,678	\$ 41,141	37%
Utilities	\$ 205,118	\$ 224,504	\$ 195,521	\$ 9,597	5%
Casualty & Liability	\$ 198,730	\$ 417,417	\$ 304,836	\$ (106,106)	-35%
Taxes	\$ 14,702	\$ 20,625	\$ 17,610	\$ (2,908)	-17%
Purchased Transportation	\$ 62,494	\$ 104,166	\$ 112,629	\$ (50,135)	-45%
Miscellaneous	\$ 77,792	\$ 135,535	\$ 51,290	\$ 26,503	52%
Leases & Rentals	\$ 98,112	\$ 105,750	\$ 91,253	\$ 6,859	8%
<b>Total Expenses</b>	<b>\$ 16,778,577</b>	<b>\$ 17,691,714</b>	<b>\$ 15,172,126</b>	<b>\$ 1,606,451</b>	<b>11%</b>
<b>Operating Income (Loss)</b>	<b>\$ 343,145</b>		<b>\$ (3,430,413)</b>		

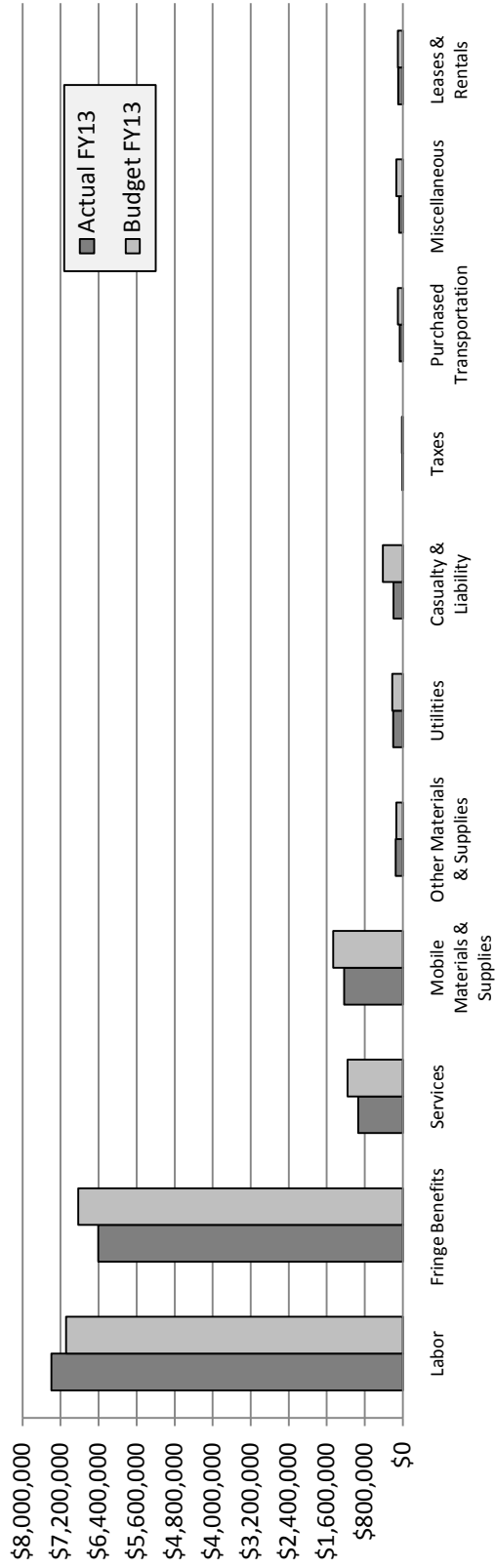
# Attachment A



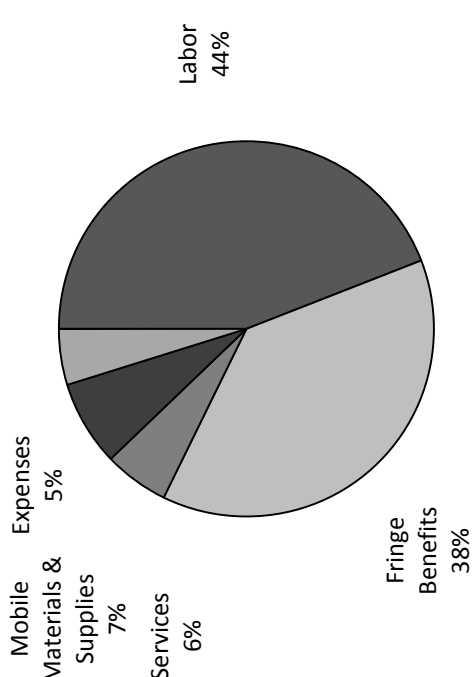
# Attachment A



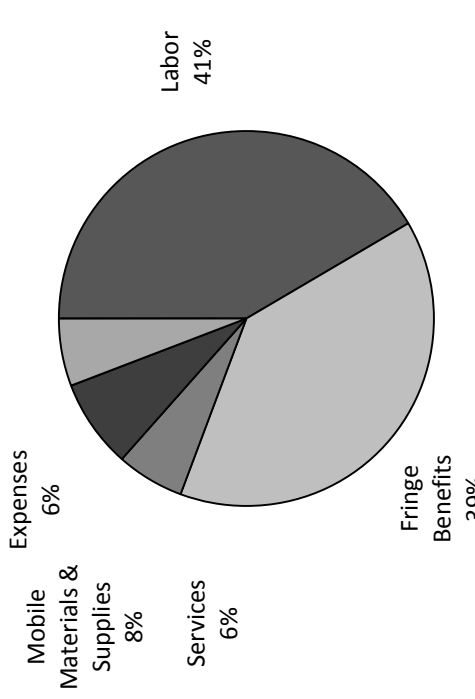
## Total Expenses Year to Date as of November 30, 2012



### YTD Actual FY13



### YTD Actual FY12





**FY13**

**Operating Revenue**

**Year to Date as of November 30, 2012**

Percent of Year Elapsed - 42%

	Year to Date			YTD Year Over Year Comparison		
	Actual	Budget	% Var	FY12	\$ Var	% Var
<b>Passenger Fares</b>						
Passenger Fares	\$ 1,669,262	\$ 1,578,650	6%	\$ 1,576,987	\$ 92,275	6%
Paratransit Fares	\$ 125,421	\$ 119,824	5%	\$ 127,979	\$ (2,558)	-2%
Special Transit Fares - Contract	\$ 1,114,421	\$ 1,130,481	-1%	\$ 1,109,272	\$ 5,149	0%
Highway 17 Fares	\$ 642,627	\$ 660,266	-3%	\$ 625,545	\$ 17,082	3%
Highway 17 Payments	\$ 95,696	\$ 88,047	9%	\$ 93,523	\$ 2,174	2%
<b>Subtotal Passenger Revenue</b>	<b>\$ 3,647,427</b>	<b>\$ 3,577,268</b>	<b>2%</b>	<b>\$ 3,533,306</b>	<b>\$ 114,121</b>	<b>3%</b>

<b>Other Revenue</b>						
Commissions	\$ 1,749	\$ 2,334	-25%	\$ 1,913	\$ (164)	-9%
Advertising Income	\$ 116,185	\$ 107,291	8%	\$ 114,784	\$ 1,401	1%
Rent Income - SC Pacific Station	\$ 37,296	\$ 44,609	-16%	\$ 45,146	\$ (7,850)	-17%
Rent Income - Watsonville TC	\$ 17,497	\$ 16,834	4%	\$ 18,611	\$ (1,115)	-6%
Interest Income	\$ 38,733	\$ 50,000	-23%	\$ 51,711	\$ (12,978)	-25%
Other Non-Transp Revenue	\$ 5,949	\$ 7,500	-21%	\$ 2,730	\$ 3,219	118%
<b>Subtotal Other Revenue</b>	<b>\$ 217,408</b>	<b>\$ 228,567</b>	<b>-5%</b>	<b>\$ 234,895</b>	<b>\$ (17,487)</b>	<b>-7%</b>

<b>Sales Tax Revenue</b>	\$ 6,994,171	\$ 6,670,958	5%	\$ 6,527,132	\$ 467,039	7%
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<b>Transp Dev Act (TDA) - Op Asst</b>	\$ 1,353,330	\$ 1,353,330	0%	\$ 1,311,241	\$ 42,089	3%
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<b>Federal Op Assistance</b>						
FTA Sec 5307 - Op Asst	\$ 3,695,976	\$ 3,695,976	0%	\$ -	\$ 3,695,976	100%
FTA Sec 5311 - Rural Op Asst	\$ 156,312	\$ 156,312	0%	\$ -	\$ 156,312	100%
<b>Subtotal Federal Op Assistance</b>	<b>\$ 3,852,288</b>	<b>\$ 3,852,288</b>	<b>0%</b>	<b>\$ -</b>	<b>\$ 3,852,288</b>	<b>100%</b>

<b>Other Op Assistance/Funding</b>						
AMBAG Funding	\$ -	\$ -	0%	\$ -	\$ -	0%
Other Op Assistance/Funding	\$ -	\$ 4,166	-100%	\$ 2,043	\$ (2,043)	-100%
FTA Sec 5309 - ARRA Op Asst	\$ -	\$ -	0%	\$ -	\$ -	0%
<b>Subtotal Other Op Assistance/Funding</b>	<b>\$ -</b>	<b>\$ 4,166</b>	<b>-100%</b>	<b>\$ 2,043</b>	<b>\$ (2,043)</b>	<b>-100%</b>



**FY13**

SANTA CRUZ **METRO**

Operating Revenue

Year to Date as of November 30, 2012

Percent of Year Elapsed - 42%

	Year to Date			YTD Year Over Year Comparison		
	Actual	Budget	% Var	FY12	\$ Var	% Var
<b>STA - Op Assistance</b>	\$ -	\$ -	0%	\$ -	\$ -	0%
<b>STIC - Op Assistance</b>	\$ 1,057,097	\$ 1,057,097	0%	\$ -	\$ 1,057,097	100%
<b>Fuel Tax Credit</b>	\$ -	\$ -	0%	\$ 133,096	\$ (133,096)	-100%
<b>Transfers (to)/ from Reserves</b>	\$ -	\$ -	0%	\$ -	\$ -	0%
<b>Total Revenue</b>	<u>\$ 17,121,722</u>	<u>\$ 16,743,674</u>	<u>2%</u>	<u>\$ 11,741,713</u>	<u>\$ 5,380,009</u>	<u>46%</u>
<b>Total Operating Expenses</b>	<u>\$ 16,778,577</u>			<u>\$ 15,172,126</u>		
<b>Variance</b>	<u>\$ 343,145</u>			<u>\$ (3,430,413)</u>		



**FY13**  
**Consolidated Operating Expenses**  
**Year to Date as of November 30, 2012**

	Year to Date		YTD Year Over Year Comparison				
	Actual	Budget	\$ Var	% Var	FY12	\$ Var	% Var
<b>Labor</b>							
501011 Bus Operator Pay	\$ 3,357,075	\$ 3,345,291	\$ 11,785	0%	\$ 2,875,225	\$ 481,850	17%
501013 Bus Operator Overtime	\$ 685,010	\$ 663,591	\$ 21,419	3%	\$ 707,516	\$ (22,506)	-3%
501021 Other Salaries	\$ 3,123,290	\$ 2,918,848	\$ 204,442	7%	\$ 2,524,684	\$ 598,606	24%
501023 Other Overtime	\$ 229,092	\$ 156,812	\$ 72,280	46%	\$ 195,485	\$ 33,606	17%
<i>Total Labor -</i>	<i>\$ 7,394,467</i>	<i>\$ 7,084,541</i>	<i>\$ 309,925</i>	<i>4%</i>	<i>\$ 6,302,911</i>	<i>\$ 1,091,555</i>	<i>17%</i>
<b>Fringe Benefits</b>							
502011 Medicare/Soc. Sec.	\$ 110,282	\$ 122,225	\$ (11,944)	-10%	\$ 93,059	\$ 17,223	19%
502021 Retirement	\$ 1,270,883	\$ 1,341,278	\$ (70,395)	-5%	\$ 1,086,622	\$ 184,261	17%
502031 Medical Insurance	\$ 2,795,424	\$ 3,085,050	\$ (289,626)	-9%	\$ 2,605,258	\$ 190,166	7%
502041 Dental Insurance	\$ 214,836	\$ 237,508	\$ (22,673)	-10%	\$ 183,729	\$ 31,107	17%
502045 Vision Insurance	\$ 51,293	\$ 57,784	\$ (6,491)	-11%	\$ 51,907	\$ (614)	-1%
502051 Life Insurance	\$ 17,116	\$ 19,965	\$ (2,850)	-14%	\$ 16,751	\$ 365	2%
502060 State Disability	\$ 78,152	\$ 93,061	\$ (14,909)	-16%	\$ 81,114	\$ (2,962)	-4%
502061 Disability Insurance	\$ 49,291	\$ 60,114	\$ (10,823)	-18%	\$ 48,939	\$ 352	1%
502071 State Unemp. Ins	\$ 3,013	\$ 37,049	\$ (34,035)	-92%	\$ 943	\$ 2,071	220%
502081 Worker's Comp Ins	\$ 463,550	\$ 386,250	\$ 77,300	20%	\$ 575,859	\$ (112,309)	-20%
502083 Worker's Comp IBNR	\$ -	\$ -	\$ -	0%	\$ -	\$ -	0%
502101 Holiday Pay	\$ 128,522	\$ 169,077	\$ (40,555)	-24%	\$ 75,604	\$ 52,918	70%
502103 Floating Holiday	\$ 17,766	\$ 31,334	\$ (13,568)	-43%	\$ 14,150	\$ 3,616	26%
502109 Sick Leave	\$ 247,774	\$ 368,041	\$ (120,268)	-33%	\$ 241,769	\$ 6,005	2%
502111 Annual Leave	\$ 860,852	\$ 728,051	\$ 132,801	18%	\$ 763,932	\$ 96,919	13%
502121 Other Paid Absence	\$ 63,936	\$ 54,331	\$ 9,605	18%	\$ 72,472	\$ (8,537)	-12%
502251 Physical Exams	\$ 2,550	\$ 5,879	\$ (3,329)	-57%	\$ 3,281	\$ (731)	-22%
502253 Driver Lic Renewal	\$ 962	\$ 1,940	\$ (978)	-50%	\$ 509	\$ 453	89%
502999 Other Fringe Benefits	\$ 29,976	\$ 31,847	\$ (1,871)	-6%	\$ 26,957	\$ 3,019	11%
<i>Total Fringe Benefits -</i>	<i>\$ 6,406,176</i>	<i>\$ 6,830,785</i>	<i>\$ (424,610)</i>	<i>-6%</i>	<i>\$ 5,942,856</i>	<i>\$ 463,320</i>	<i>8%</i>
<b>Total Personnel Expenses -</b>	<b>\$ 13,800,642</b>	<b>\$ 13,915,327</b>	<b>\$ (114,684)</b>	<b>-1%</b>	<b>\$ 12,245,767</b>	<b>\$ 1,554,875</b>	<b>13%</b>



**FY13**  
**Consolidated Operating Expenses**  
**Year to Date as of November 30, 2012**

	Year to Date			YTD Year Over Year Comparison		
	Actual	Budget	% Var	FY12	\$ Var	% Var
<b>Services</b>						
503011 Acctg & Audit Fees	\$ 35,800	\$ 45,000	-20%	\$ 31,400	\$ 4,400	14%
503012 Admin & Bank Fees	\$ 94,667	\$ 95,835	-1%	\$ 89,748	\$ 4,919	5%
503031 Prof & Tech Fees	\$ 64,026	\$ 89,149	-28%	\$ 47,368	\$ 16,658	35%
503032 Legislative Services	\$ 37,500	\$ 43,750	-14%	\$ 37,500	\$ -	0%
503033 Legal Services	\$ 117	\$ 22,916	-99%	\$ -	\$ 117	100%
503034 Pre-Employ Exams	\$ 3,308	\$ 4,365	-24%	\$ 1,355	\$ 1,953	144%
503041 Temp Help	\$ 102,801	\$ 78,000	32%	\$ 127,104	\$ (24,303)	-19%
503161 Custodial Services	\$ 32,370	\$ 41,334	-22%	\$ 23,641	\$ 8,729	37%
503162 Uniform & Laundry	\$ 8,802	\$ 9,584	-8%	\$ 7,199	\$ 1,604	22%
503171 Security Services	\$ 183,068	\$ 195,472	-6%	\$ 136,677	\$ 46,392	34%
503221 Classified/Legal Ads	\$ 6,597	\$ 9,375	-30%	\$ 4,949	\$ 1,647	33%
503222 Legal Advertising	\$ -	\$ -	0%	\$ -	\$ -	0%
503225 Graphic Services	\$ -	\$ 2,084	-100%	\$ -	\$ -	0%
503351 Repair - Bldg & Impr	\$ 34,688	\$ 42,084	-18%	\$ 19,233	\$ 15,455	80%
503352 Repair - Equipment	\$ 158,616	\$ 270,798	-41%	\$ 166,358	\$ (7,742)	-5%
503353 Repair - Rev Vehicle	\$ 147,542	\$ 180,000	-18%	\$ 158,736	\$ (11,194)	-7%
503354 Repair - Non Rev Vehic	\$ 4,683	\$ 10,729	-56%	\$ 16,377	\$ (11,694)	-71%
503363 Haz Mat Disposal	\$ 22,812	\$ 21,041	8%	\$ 16,848	\$ 5,964	35%
<b>Total Services -</b>	<b>\$ 937,399</b>	<b>\$ 1,161,516</b>	<b>-19%</b>	<b>\$ 884,494</b>	<b>\$ 52,905</b>	<b>6%</b>

<b>Mobile Materials &amp; Supplies</b>						
	Actual	Budget	% Var	FY12	\$ Var	% Var
504011 Fuels & Lube Non Rev ^	\$ 31,150	\$ 33,750	-8%	\$ 26,325	\$ 4,824	18%
504012 Fuels & Lube Rev Veh	\$ 867,988	\$ 1,055,521	-18%	\$ 839,600	\$ 28,388	3%
504021 Tires & Tubes	\$ 93,410	\$ 106,979	-13%	\$ 63,813	\$ 29,598	46%
504161 Other Mobile Supplies	\$ -	\$ -	0%	\$ -	\$ -	0%
504191 Rev Vehicle Parts	\$ 239,222	\$ 271,771	-12%	\$ 228,311	\$ 10,910	5%
<b>Total Mobile Materials &amp; Supplies -</b>	<b>\$ 1,231,769</b>	<b>\$ 1,468,021</b>	<b>-16%</b>	<b>\$ 1,158,049</b>	<b>\$ 73,720</b>	<b>6%</b>





**FY13**  
**Consolidated Operating Expenses**  
**Year to Date as of November 30, 2012**

	Year to Date			YTD Year Over Year Comparison		
	Actual	Budget	% Var	FY12	\$ Var	% Var
<b>Other Materials &amp; Supplies</b>						
504205 Freight Out	\$ 702	\$ 1,062	-34%	\$ 791	\$ (89)	-11%
504211 Postage & Mailing	\$ 3,348	\$ 7,960	-58%	\$ 5,983	\$ (2,635)	-44%
504214 Promotional Items	\$ 1,249	\$ -	100%	\$ -	\$ 1,249	100%
504215 Printing	\$ 20,277	\$ 40,581	-50%	\$ 26,857	\$ (6,579)	-24%
504217 Photo Supply/Processin	\$ 626	\$ 2,459	-75%	\$ 3	\$ 622	19761%
504311 Office Supplies	\$ 33,591	\$ 33,148	1%	\$ 26,720	\$ 6,870	26%
504315 Safety Supplies	\$ 11,287	\$ 8,541	32%	\$ 6,224	\$ 5,063	81%
504317 Cleaning Supplies	\$ 24,720	\$ 20,334	22%	\$ 18,604	\$ 6,116	33%
504409 Repair/Maint Supplies	\$ 46,865	\$ 17,500	168%	\$ 21,395	\$ 25,470	119%
504421 Non-Inventory Parts	\$ 3,541	\$ 2,309	53%	\$ 2,621	\$ 920	35%
504511 Small Tools	\$ 4,363	\$ 3,709	18%	\$ 1,010	\$ 3,353	332%
504515 Employee Tool Rplcmt	\$ 1,251	\$ 1,250	0%	\$ 470	\$ 781	166%
<b>Total Other Materials &amp; Supplies -</b>	<b>\$ 151,819</b>	<b>\$ 138,853</b>	<b>9%</b>	<b>\$ 110,678</b>	<b>\$ 41,141</b>	<b>37%</b>
<b>Utilities</b>						
505011 Gas & Electric	\$ 110,160	\$ 102,084	8%	\$ 104,501	\$ 5,659	5%
505021 Water & Garbage	\$ 54,630	\$ 62,500	-13%	\$ 50,902	\$ 3,728	7%
505031 Telecommunications	\$ 40,328	\$ 59,920	-33%	\$ 40,118	\$ 210	1%
<b>Total Utilities -</b>	<b>\$ 205,118</b>	<b>\$ 224,504</b>	<b>-9%</b>	<b>\$ 195,521</b>	<b>\$ 9,597</b>	<b>5%</b>
<b>Casualty &amp; Liability</b>						
506011 Insurance - Property	\$ 40,436	\$ 39,584	2%	\$ 43,196	\$ (2,759)	-6%
506015 Insurance - PL & PD	\$ 176,675	\$ 200,000	-12%	\$ 198,083	\$ (21,408)	-11%
506021 Insurance - Other	\$ 711	\$ 750	-5%	\$ 711	\$ -	0%
506123 Settlement Costs	\$ (12,955)	\$ 177,084	-107%	\$ 80,024	\$ (92,979)	-116%
506127 Repairs - Dist Prop	\$ (6,138)	\$ -	100%	\$ (17,178)	\$ 11,041	-64%
<b>Total Casualty &amp; Liability -</b>	<b>\$ 198,730</b>	<b>\$ 417,417</b>	<b>-52%</b>	<b>\$ 304,836</b>	<b>\$ (106,106)</b>	<b>-35%</b>
<b>Taxes</b>						
507051 Fuel Tax	\$ 5,658	\$ 5,833	-3%	\$ 5,275	\$ 383	7%
507201 Licenses & permits	\$ 2,452	\$ 7,709	-68%	\$ 3,978	\$ (1,526)	-38%
507999 Other Taxes	\$ 6,592	\$ 7,084	-7%	\$ 8,357	\$ (1,765)	-21%
<b>Total Taxes -</b>	<b>\$ 14,702</b>	<b>\$ 20,625</b>	<b>-29%</b>	<b>\$ 17,610</b>	<b>\$ (2,908)</b>	<b>-17%</b>



**FY13**  
**Consolidated Operating Expenses**  
**Year to Date as of November 30, 2012**

	Year to Date			YTD Year Over Year Comparison		
	Actual	Budget	% Var	FY12	\$ Var	% Var
<b>Purchased Transportation</b>						
503406 Contr/Paratrans	\$ 62,494	\$ 104,166	-40%	\$ 112,629	\$ (50,135)	-45%
<b>Total Purchased Transportation -</b>	<b>\$ 62,494</b>	<b>\$ 104,166</b>	<b>-40%</b>	<b>\$ 112,629</b>	<b>\$ (50,135)</b>	<b>-45%</b>
<b>Miscellaneous</b>						
509011 Dues & Subscriptions	\$ 27,559	\$ 28,365	-3%	\$ 27,849	\$ (290)	-1%
509085 Advertising - Rev Produ	\$ 1,559	\$ 2,958	-47%	\$ -	\$ 1,559	100%
509101 Emp Incentive Prog	\$ 4,706	\$ 11,833	-60%	\$ -	\$ 4,706	100%
509121 Employee Training	\$ 14,454	\$ 43,791	-67%	\$ 14,928	\$ (473)	-3%
509123 Travel	\$ 23,473	\$ 40,983	-43%	\$ 4,190	\$ 19,283	460%
509125 Local Meeting Exp	\$ 1,913	\$ 2,250	-15%	\$ 1,484	\$ 429	29%
509127 Board Director Fees	\$ 3,600	\$ 5,250	-31%	\$ 2,300	\$ 1,300	57%
509150 Contributions	\$ -	\$ 104	-100%	\$ -	\$ -	0%
509197 Sales Tax Expense	\$ 65	\$ -	100%	\$ -	\$ 65	100%
509198 Cash Over/Short	\$ 464	\$ -	100%	\$ 539	\$ (75)	-14%
<b>Total Misc -</b>	<b>\$ 77,792</b>	<b>\$ 135,535</b>	<b>-43%</b>	<b>\$ 51,290</b>	<b>\$ 26,503</b>	<b>52%</b>
<b>Leases &amp; Rentals</b>						
512011 Facility Rentals	\$ 92,566	\$ 95,000	-3%	\$ 83,697	\$ 8,869	11%
512061 Equipment Rentals	\$ 5,546	\$ 10,750	-48%	\$ 7,556	\$ (2,010)	-27%
<b>Total Leases &amp; Rentals -</b>	<b>\$ 98,112</b>	<b>\$ 105,750</b>	<b>-7%</b>	<b>\$ 91,253</b>	<b>\$ 6,859</b>	<b>8%</b>
<b>Total Non-Personnel Expenses -</b>	<b>\$ 2,977,935</b>	<b>\$ 3,776,387</b>	<b>-21%</b>	<b>\$ 2,926,359</b>	<b>\$ 51,577</b>	<b>2%</b>
<b>TOTAL OPERATING EXPENSE -</b>	<b>\$ 16,778,577</b>	<b>\$ 17,691,714</b>	<b>-5%</b>	<b>\$ 15,172,126</b>	<b>\$ 1,606,451</b>	<b>11%</b>

\*\* does not include Depreciation, W/C IBNR adjustments, and GASB OPEB Liability expense

# Attachment B



## FY13 CAPITAL BUDGET For the month ending - November 30, 2012

	YTD Actual	FY13 Budget	Remaining Budget	% Spent YTD
<b><u>Grant-Funded Projects</u></b>				
MetroBase Project - FY11 Allocation Operations Bldg. (STIC, SAKATA, STA, PTMISEA)	\$ 119,123	\$ 19,051,491	\$ 18,932,368	1%
MetroBase Project - Operations Bldg. / Other (SLPP)	\$ -	\$ 5,800,000	\$ 5,800,000	0%
MetroBase Project - FY10 Allocation (PTMISEA)	\$ 25,956	\$ 2,333,111	\$ 2,307,155	1%
2nd LNG Tank (MBUAPCD, PTMISEA)	\$ 97,655	\$ 1,183,961	\$ 1,086,306	8%
State of Good Repair (FTA) <sup>(1)</sup>	\$ 58,626	\$ -	\$ (58,626)	n/a
Video Surveillance Project - CCTV (STATE-1B)	\$ 440,652	\$ 980,000	\$ 539,348	45%
Land Mobile Radio Project - LMR (STATE-1B)	\$ 210,162	\$ 788,500	\$ 578,338	27%
Bus Stop Improvements (STIP)	\$ -	\$ 355,000	\$ 355,000	0%
Non-Revenue Vehicle Replacement (MBUAPCD, STA)	\$ 59,283	\$ 192,105	\$ 132,822	31%
Pacific Station/MetroCenter - Conceptual Design (FTA, STA)	\$ -	\$ 60,000	\$ 60,000	0%
Watsonville Transit Center - Conceptual Design (STA)	\$ -	\$ 30,000	\$ 30,000	0%
<b>Subtotal Grant Funded Projects</b>	<b>\$ 1,011,457</b>	<b>\$ 30,774,168</b>	<b>\$ 29,762,711</b>	<b>3%</b>
<b><u>IT Projects</u></b>				
Automated Purchasing System Software - Purididom (STA)	\$ -	\$ 40,000	\$ 40,000	0%
HR Software Upgrade - iVantage (STA)	\$ 9,491	\$ 20,000	\$ 10,509	47%
Replace "Plant" - Informix Database - Bus Stop Tracking System (STA)	\$ -	\$ 10,000	\$ 10,000	0%
<b>Subtotal IT Projects</b>	<b>\$ 9,491</b>	<b>\$ 70,000</b>	<b>\$ 60,509</b>	<b>14%</b>
<b><u>Facilities Repair &amp; Improvements</u></b>				
MetroCenter Repairs (RES. RET. EARN., STA)	\$ 13,608	\$ 225,000	\$ 211,392	6%
Bus Stop Repairs / Improvements (RES. RET. EARN.)	\$ 10,147	\$ 175,000	\$ 164,853	6%
WTC Renovations & Repairs (STA)	\$ -	\$ 45,000	\$ 45,000	0%
Repaint SVT (STA)	\$ -	\$ 45,000	\$ 45,000	0%
Replace Portable Steam & Sidewalk Cleaner WTC (STA)	\$ -	\$ 25,000	\$ 25,000	0%
Heaters for Maintenance Facility (3) (STA)	\$ -	\$ 10,000	\$ 10,000	0%
Interactive White Board - ParaCruz (STA)	\$ -	\$ 3,500	\$ 3,500	0%
<b>Subtotal Facilities Repairs &amp; Improvements Projects</b>	<b>\$ 23,755</b>	<b>\$ 528,500</b>	<b>\$ 504,745</b>	<b>4%</b>



**FY13**  
**CAPITAL BUDGET**  
*For the month ending - November 30, 2012*

	<u>YTD Actual</u>	<u>FY13 Budget</u>	<u>Remaining Budget</u>	<u>% Spent YTD</u>
<b><u>Revenue Vehicle Replacement</u></b>				
Replace WiFi on Highway 17 buses (STA)	\$ -	\$ 100,000	\$ 100,000	0%
Replace Supervisor Vehicle-SUV (STA)	\$ -	\$ 40,000	\$ 40,000	0%
<b>Subtotal Revenue Vehicle Replacements</b>	<b>\$ -</b>	<b>\$ 140,000</b>	<b>\$ 140,000</b>	<b>0%</b>
<b><u>Non-Revenue Vehicle Replacement</u></b>				
See above	\$ -	\$ -	\$ -	0%
<b>Subtotal Non-Revenue Vehicle Replacements</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0%</b>
<b><u>Fleet &amp; Maintenance Equipment</u></b>				
Small Vehicle Lift - Fleet (STA)	\$ -	\$ 25,000	\$ 25,000	0%
Vehicle Diagnostic Code Scanner Program & PC - PC (STA)	\$ -	\$ 3,500	\$ 3,500	0%
Industrial Auto Upholstery Cleaning Machine - Fleet (STA)	\$ -	\$ 2,500	\$ 2,500	0%
<b>Subtotal Fleet &amp; Maintenance Equipment</b>	<b>\$ -</b>	<b>\$ 31,000</b>	<b>\$ 31,000</b>	<b>0%</b>
<b><u>Office Equipment</u></b>				
None	\$ -	\$ -	\$ -	0%
<b>Subtotal Office Equipment</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0%</b>
<b><u>Misc</u></b>				
Ticket Vending Machine (1) (STA)	\$ -	\$ 100,000	\$ 100,000	0%
<b>Subtotal Misc.</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>0%</b>
<b>TOTAL CAPITAL PROJECTS</b>	<b>\$ 1,044,703</b>	<b>\$ 31,643,668</b>	<b>\$ 30,598,965</b>	<b>3%</b>

7-1.b2



**FY13**  
**CAPITAL BUDGET**  
*For the month ending - November 30, 2012*

	<u>YTD Actual</u>	<u>FY13 Budget</u>	<u>Remaining Budget</u>	<u>% Spent YTD</u>
<b><u>CAPITAL FUNDING</u></b>				
Federal Capital Grants	\$ 58,626	\$ 1,156,062	\$ 1,097,436	5%
Other Fed - Sakata / Lawsuit proceeds	\$ -	\$ 1,333,382	\$ 1,333,382	0%
State - PTMISEA (1B)	\$ 145,079	\$ 14,426,119	\$ 14,281,040	1%
State - Security Bond Funds (1B)	\$ 650,814	\$ 1,768,500	\$ 1,117,686	37%
State Transit Assistance (STA) Carryover-Prior Yrs	\$ 23,099	\$ 572,000	\$ 548,901	4%
State Transit Assistance (STA) Future (Estimated)	\$ -	\$ 5,600,000	\$ 5,600,000	0%
State - MBUAPCD	\$ 97,655	\$ 261,000	\$ 163,345	37%
State - STIP	\$ -	\$ 355,000	\$ 355,000	0%
State - SLPP	\$ -	\$ 5,800,000	\$ 5,800,000	0%
Local - Reserved Retained Earnings	\$ 10,147	\$ 360,000	\$ 349,853	3%
Local Operating Match	\$ 59,283	\$ 11,605	\$ (47,678)	511%
<b>TOTAL CAPITAL FUNDING</b>	<b>\$ 1,044,703</b>	<b>\$ 31,643,668</b>	<b>\$ 30,598,965</b>	<b>3%</b>

(1) Grant budget erroneously deleted from capital budget in anticipation of grant closure in September. Budget will be reinstated in subsequent budget revision.

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT  
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43794	11/08/12	-35.55 M030	ROWE, RUBY	48906	7	48906	OCT 12 RET SUPP	-35.55	**VOID
43801	11/27/12	-25.53 E239	SLATER, ROBYN	48918		48918	TRAVEL REIMBURSEMENT	-25.53	**VOID
44112	11/08/12	-35.55 M030	ROWE, RUBY	49582		49582	NOV 12 SUPP MED	-35.55	**VOID
44137	11/05/12	100.00 B030	ALEJO, MARGARITA	49599	7	49599	OCT 12 BOARD MEETING	100.00	
44138	11/05/12	200.00 B028	BRYANT, HILARY	49600	7	49600	OCT 12 BOARD MEETING	100.00	
44139	11/05/12	100.00 B018	BUSTICHI, DENE	49608	7	49608	SEPT 12 BOARD MEET	100.00	
44140	11/05/12	5,000.00 001324	CAPITALEDDGE ADVOCACY, INC.	49609		49609	SEPT 12 BOARD MEET	50.00	
44141	11/05/12	871.92 002063	COSTCO	49635		49635	NOV 12 PROF SVCS	5,000.00	
44142	11/05/12	12.00 E638	COTTER, ROBERT	49632		49632	OCT 20 COMPANY PICNI	859.25	
44143	11/05/12	5,461.41 504	CUMMINS WEST, INC.	49636		49636	OPS GROUNDBREAKING	12.67	
44144	11/05/12	18.79 E420	DERWING, CAROLYN	49641		49641	TRAVEL REIMBURSEMENT	12.00	
44145	11/05/12	200.00 B029	DODGE, DANIEL	49620		49620	OUT RPR #2808	5,461.41	
44146	11/05/12	1,450.00 002953	EPICOR SOFTWARE CORP	49645		49645	TRAVEL REIMBURSEMENT	18.79	
44147	11/05/12	7.70 E665	GARCIA, JUAN JOSE	49598		49598	BOD MEETING 10/1	50.00	
44148	11/05/12	165.00 T229	GAUGHAN, BRIANA	49610		49610	SEPT 12 BOARD MEET	100.00	
44149	11/05/12	10.78 E378	GRANADOS-BOYCE, MARIA	49629		49629	OCT 12 BEN PREM RPT	1,450.00	
44150	11/05/12	150.00 B023	GRAVES, RON	49637		49637	TRAVEL REIMBURSEMENT	7.70	
44151	11/05/12	871.66 E530	GUIZAR, LISETH	49630		49630	CLAIM 12-0019	165.00	
44152	11/05/12	13,140.36 001745	HARTFORD LIFE AND ACCIDENT INS	49619		49619	OCT 20 PICNIC REIMB	10.78	
44153	11/05/12	200.00 B006	HINKLE, MICHELLE	49611		49611	SEPT 12 BOARD MEET	100.00	
44154	11/05/12	200.00 B026	LEOPOLD, JOHN	49646		49646	10/12 BOD MEETING	50.00	
44155	11/05/12	59,255.86 003048	LLL SALES CO LLC	49625		49625	OCT 20 PICNIC REIMB	45.58	
44156	11/05/12	10.23 E182	LOGIUDICE, JASON	49626		49626	OCT 20 PICNIC REIMB	688.06	
44157	11/05/12	105.84 E154	MARTINEZ, MANUEL	49627		49627	OCT 20 PICNIC REIMB	38.02	
44158	11/05/12	2,972.97 001052	MID VALLEY SUPPLY	49650		49650	OCT 20 PICNIC REIMB	100.00	
44159	11/05/12	159.21 E045	MONTESINO, EDUARDO	49617		49617	NOV 12 AD&D PREMIUM	3,326.20	
44160	11/05/12	198.89 043	PALACE ART & OFFICE SUPPLY	49618		49618	NOV 12 LTD	9,814.16	
44161	11/05/12	150.00 B024	PIRIE, ELLEN	49603		49603	OCT 12 BOARD MEETING	100.00	
44162	11/05/12	8.86 E081	REGAN, MICHAEL	49612		49612	SEPT 12 BOARD MEET	100.00	
44163	11/05/12	358.13 003024	RICOH USA, INC	49604		49604	OCT 12 BOARD MEETING	100.00	
44164	11/05/12	200.00 B022	ROBINSON, LYNN MARIE	49613		49613	SEPT 12 BOARD MEET	100.00	
44165	11/05/12	11.50 E524	ROCHA, FEDERICO G.	49643		49643	HONDA CIVIC #1212	29,627.93	
44166	11/05/12	100.00 B017	STONE, MARK	49644		49644	HONDA CIVIC #1213	29,627.93	
				49640		49640	TRAVEL REIMBURSEMENT	10.23	
				49628		49628	OCT 20 PICNIC REIMB	105.84	
				49642		49642	CLEANING SUPPLIES	2,972.97	
				49623		49623	OCT 12 PICNIC REIMB	127.54	
				49624		49624	OCT 20 PICNIC REIMB	31.67	
				49634		49634	OFFICE SUPPLY	198.89	
				49605		49605	OCT 12 BOARD MEETING	50.00	
				49647		49647	9/14 BOD MEETING	100.00	
				49639		49639	TRAVEL REIMBURSEMENT	8.86	
				49631		49631	OFFICE SUPPLY	11.50	
				49633		49633	9/19-10-18 IMAGES	346.63	
				49606		49606	OCT 12 BOARD MEETING	100.00	
				49614		49614	SEPT 12 BOARD MEET	100.00	
				49638		49638	TRAVEL REIMBURSEMENT	11.50	
				49607		49607	OCT 12 BOARD MEETING	50.00	

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44167	11/05/12	001040	351.88	TERRYBERRY CO., LLC		49615	SEPT 12 BOARD MEET	50.00	
44168	11/05/12	001165	75.00	THANH N. VU MD	7	49648	ADELA BATES CLOCK	288.87	
44169	11/05/12	001165	16,193.84	U.S. BANK	7	49649	BYRON WATSON COOKER	63.01	
44170	11/05/12	434B	54.72	VERIZON CALIFORNIA		49596	DMV EXAM	75.00	
44171	11/05/12	001043	9,590.30	VISION SERVICE PLAN		49597	4246-0400-1371-4946	9,475.89	
44176	11/12/12	001193	943.95	AA GLASS SHOP		49622	4246-0441-0112-5056	6,717.95	
44177	11/12/12	002861	29.06	AMERICAN MESSAGING SVCS, LLC	7	49616	OCT 12 MT BIEWLASKI	54.72	
44178	11/12/12	001D	4,215.33	AT&T		49705	NOV 12 VSP SVCS	9,590.30	
44179	11/12/12	001348	8,583.00	ATHENS INSURANCE SERVICE, INC.	7	49740	GLASS/PATIO DOOR	943.95	
44180	11/12/12	0011	1,602.78	BEWLEYS CLEANING		49700	NOV 12 PAGERS	29.06	
44181	11/12/12	909	2,489.73	CLASSIC GRAPHICS		49674	PHONES 9/19-10/18	4,215.33	
44182	11/12/12	003003	1,678.00	COMMERCIAL ENVIRONMENT		49670	NOV 12 TPA FEES	8,583.00	
44183	11/12/12	367	600.00	COMMUNITY TELEVISION OF		49722	OCT 12 CUSTODIAL SVC	828.78	
44184	11/12/12	E638	7.62	COTTER, ROBERT		49670	SEP 12 CUSTODIAL SVC	774.00	
44185	11/12/12	900	647.69	DEPARTMENT OF TOXIC SUBSTANCE		49722	OUT RPR #9818	2,489.73	
44186	11/12/12	001329	95.25	DOC AUTO LLC		49665	OCT 12 MAINT	1,678.00	
44187	11/12/12	916	210.00	DOCTORS ON DUTY MEDICAL CLINIC		49661	10/26 GROUNDBREAKING	400.00	
44188	11/12/12	298	13.80	ERGOMETRICS		49662	10/26 BOARD MEETING	200.00	
44189	11/12/12	001492	6,895.80	EVERGREEN OIL INC.		49768	TRAVEL REIMBURSEMENT	7.62	
44190	11/12/12	432	2,552.00	EXPRESS SERVICES INC.		49793	HAZMAT CHG 7/12-9/12	647.69	
44191	11/12/12	E422	39.00	FLORES, JUAN		49737	OUT RPR REV VEH	95.25	
44192	11/12/12	002952	3,425.32	FLYERS ENERGY LLC		49675	DMV TESTS	210.00	
44193	11/12/12	E665	9.74	GARCIA, JUAN JOSE		49724	TEST SCORING SVCS	13.80	
44194	11/12/12	001189	534.93	GARY KENVILLE LOCKSMITH	7	49725	HAZ WASTE DISP	1,551.65	
44195	11/12/12	647	4.25	GFI GENFARE		49726	HAZ WASTE DISP	3,055.90	
44196	11/12/12	003014	48.75	GOODEX SERVICES, INC.		49678	TEMP W/E 10/14	2,288.25	
44197	11/12/12	282	896.67	GRAINGER		49779	TEMP W/E 10/21	868.00	
44198	11/12/12	166	55.74	HOSE SHOP, THE		49763	TEMP W/E 10/21	816.00	
44199	11/12/12	878	4,162.40	KELLY SERVICES, INC.		49763	DMV REIMBURSEMENT	39.00	
44200	11/12/12	852	618.82	LAW OFFICES OF MARIE F. SANG	7	49701	FLT FUEL 10/15-10/30	3,425.32	
44201	11/12/12	E182	11.94	LOGIUDICE, JASON		49769	TRAVEL REIMBURSEMENT	9.74	
						49729	REKEY METRO/OPS	534.93	
						49784	CREDIT NOTE	-3.38	
						49785	CREDIT NOTE	-28.89	
						49786	CREDIT NOTE	-7.16	
						49787	REV VEH PTS	43.68	
						49776	OCT 12 SVCS	16.25	
						49777	AUG 12 SVCS	16.25	
						49778	SEPT 12 SVCS	16.25	
						49730	RPRS & MAINT	5.53	
						49745	RPRS & MAINT	707.86	
						49761	OCT 12 GROUNDBREAKIN	183.28	
						49746	RPRS & MAINT	31.98	
						49747	RPRS & MAINT	23.76	
						49780	TEMP W/E 10/28	3,162.40	
						49781	TEMP CONV FEE	1,000.00	
						49671	CL# 2010227273	394.82	
						49672	CL# 1999103213	224.00	
						49766	TRAVEL REIMBURSEMENT	11.94	

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44202	11/12/12	1,419.68 511	LUMINATOR HOLDING LP		49754	REV VEH PTS	1,419.68		
44203	11/12/12	75.00 E048	MARTINEZ, MARK		49764	PHYSICAL EXAM	75.00		
44204	11/12/12	609.02 001296	MATTHEW BENDER & CO., INC.		49760	CA EMP LAW #46	609.02		
44205	11/12/12	76.17 013	MCI SERVICE PARTS, INC.		49752	REV VEH PTS	76.17		
44206	11/12/12	120.00 041	MISSION UNIFORM		49748	UNIF & LAUNDRY	120.00		
44207	11/12/12	359.73 001063	NEW FLYER INDUSTRIES LIMITED		49731	REV VEH PTS	160.69		
					49732	REV VEH PTS	157.21		
					49753	REV VEH PTS	41.83		
44208	11/12/12	445.22 002639	NEXTEL COMMUNICATIONS		49773	9/26-10/25 DIRCONN	445.22		
44209	11/12/12	64.34 E629	NJAA, SHELDON		49770	TRAVEL REIMBURSEMENT	64.34		
44210	11/12/12	49.00 E374	OSORIO, EZEQUIEL		49762	DMV REIMBURSEMENT	49.00		
44211	11/12/12	28,537.87 009	PACIFIC GAS & ELECTRIC		49655	9/25-10/23 1122RIVER	1,980.09		
					49656	9/25-10/23 MMF	6,358.88		
					49657	9/25-10/23 1122RIVER	69.54		
					49658	9/25-10/23 1217RIVER	65.35		
					49659	9/25-10/23 1200RIVER	1,207.92		
					49783	6/26-10/23 VERNON	15,690.83		
					49791	9/28-10/26 PACIFIC	3,165.26		
44212	11/12/12	255.19 043	PALACE ART & OFFICE SUPPLY		49756	OFFICE SUPPLY	255.19		
44213	11/12/12	44,417.31 002939	PREFERRED BENEFIT		49668	NOV 12 DENTAL INS	44,417.31		
44214	11/12/12	65.10 019	RAYNE OF SANTA CRUZ, INC.		49788	QUART SALT/MAINT	65.10		
44215	11/12/12	9.96 E081	REGAN, MICHAEL		49765	TRAVEL REIMBURSEMENT	9.96		
44216	11/12/12	396.95 001153	REPUBLIC ELEVATOR COMPANY		49663	OCT 12 MAINT	396.95		
44217	11/12/12	387.72 215	RICOH USA, INC.		49775	OUT RPR EQUIP/RENTAL	387.72		
44218	11/12/12	72.61 536	RIVERSIDE LIGHTING & ELECTRIC		49792	RPRS & MAINT	72.61		
44219	11/12/12	12.00 E524	ROCHA, FEDERICO G.		49767	TRAVEL REIMBURSEMENT	12.00		
44220	11/12/12	71.10 M030	ROWE, RUBY		48906	OCT 12 RET SUPP	35.55		
					49582	NOV 12 SUPP MED	35.55		
44221	11/12/12	1,651.82 018	SALINAS VALLEY FORD SALES		49744	REV VEH PTS	1,651.82		
44222	11/12/12	265.00 002700	SANTA CRUZ COUNTY		49660	HEALTH PERMIT/PARA	265.00		
44223	11/12/12	55,622.60 002917	SANTA CRUZ METRO TRANSIT W/C		49673	10/15-10/31 W/C RESV	55,622.60		
44224	11/12/12	207.77 002459	SCOTT'S VALLEY WATER DISTRICT		49789	8/6-10/4 SVTC	207.77		
44225	11/12/12	193.02 001232	SPECIALIZED AUTO AND		49739	OUT RPR REV VEH	193.02		
44226	11/12/12	292.69 002207	TY CUSTOM DESIGN	0	49774	OFFICE SUPPLIES	292.69		
44227	11/12/12	1,438.72 001800	THERMO KING OF SALINAS, INC		49782	REV VEH PTS	1,438.72		
44228	11/12/12	3,174.02 002954	TIRE DISTRIBUTION SYSTEMS, LLC	7	49681	TIRES & TUBES	529.48		
					49685	TIRES & TUBES	975.61		
					49686	TIRES & TUBES	1,668.93		
44229	11/12/12	115.00 001190	TRANSIT TALENT.COM LLC	7	49706	JOB PLACEMENT AD	115.00		
44230	11/12/12	541.00 003037	TYCO INTEGRATED SECURITY LLC		49790	ALARM PANEL/OPS	541.00		
44231	11/12/12	35.02 007	UNITED PARCEL SERVICE		49666	FRT OUT/FLT	35.02		
44232	11/12/12	1,595.00 001353	VISION COMMUNICATIONS		49664	OCT 12 MAINT	1,595.00		
44233	11/12/12	608.60 002291	WINCHESTER AUTO		49667	REV VEH PTS	608.60		
44234	11/12/12	44.29 147	ZEE MEDICAL SERVICE CO.		49721	SUPPLIES VERNON	44.29		
44236	11/12/12	84.48 002721	NEXTEL COMMUNICATIONS/SPRINT		49759	TMV WIRELESS	84.48		
44237	11/19/12	1,365.42 003019	AMERICAN REPROGRAPHICS CO, LLC		49919	SCAN AND PRINT PLANS	1,365.42		
44238	11/19/12	415.66 001G	AT&T		49915	OPS PHONE	108.70		
					49916	REPEATERS	306.96		
44239	11/19/12	144.60 002689	B & B SMALL ENGINE		49712	RPRS & MAINT	144.60		
44240	11/19/12	711.00 174	BARNEY & BARNEY LLC		49676	11/12-11/13 BOND REN	711.00		



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44241	11/19/12	002363	246.11	BATTERIES PLUS #314		49818	RPRS & MAINT	246.11	
44242	11/19/12	000478	399.00	BEE CLENE	0	49912	QUART. CARPET/VERN	399.00	
44243	11/19/12	001356	3,604.25	BRENCO OPERATING-TEXAS, LP		49864	REV VEH PTS	3,604.25	
44244	11/19/12	001844	6,708.97	BRINKS INCORPORATED		49879	OCT 1200B SERVICE	3,803.25	
						49880	OCT 1200B SERVICE	2,905.72	
44245	11/19/12	002189	1,115.89	BUS & EQUIPMENT		49812	REV VEH PARTS	1,115.89	
44246	11/19/12	003022	1,000.00	CAFE AMIGO		49872	NOV 12 CUSTODIAL SVC	1,000.00	
44247	11/19/12	003542	229.35	CAIG LABORATORIES INC.		49680	REV VEH PTS	229.35	
44248	11/19/12	001346	102.25	CITY OF SANTA CRUZ-FINANCE		49914	BUSSTOPRPR/OCT LANDF	102.25	
44249	11/19/12	R482	8,685.00	CITY OF SANTA CRUZ WATER DEPT		49921	OPS NEW WATER SVC	8,685.00	VOIDED
44249	11/19/12	R482	-8,685.00	CITY OF SANTA CRUZ WATER DEPT		49921	OPS NEW WATER SVC	-8,685.00	**VOID
44250	11/19/12	130	1,246.75	CITY OF WATSONVILLE UTILITIES		49849	9/24-10/24 WTC	40.21	
						49850	9/24-10/24 WTC	25.77	
						49851	9/24-10/24 WTC	242.85	
						49852	10/1-10/22 WTC	45.82	
						49853	CONTAINER/WTC	892.10	
44251	11/19/12	001124	20,540.83	CLEAN ENERGY		49699	LNG 10/30/12	10,330.37	
						49908	LNG 10/27/12	10,210.46	
44252	11/19/12	002063	80.97	COSTCO		49799	OPS GROUNDBREAKING	61.71	
						49878	BOD MTG 11/9	19.26	
44253	11/19/12	504	3,664.69	CUMMINS WEST, INC.		49691	REV VEH PTS	649.48	
						49692	REV VEH PTS	2,412.91	
						49913	OUT RPR #2802	602.30	
44254	11/19/12	001501	450.28	D & G SANITATION		49720	OCT12 GROUNDBREAKING	450.28	
44255	11/19/12	480	1,388.80	DIESEL MARINE ELECTRIC, INC.		49755	REV VEH PTS	1,388.80	
44256	11/19/12	001329	2,893.66	DOC AUTO LLC		49707	OUT RPR REV VEH	57.85	
						49708	OUT RPR REV VEH	349.36	
						49716	OUT RPR REV VEH	459.70	
						49718	OUT RPR REV VEH	37.40	
						49735	OUT RPR REV VEH	95.25	
						49736	OUT RPR REV VEH	57.85	
						49813	OUT RPR REV VEH	506.33	
						49848	OUT RPR #9950	1,329.92	
44257	11/19/12	002388	55.00	DOGHERRA'S INC.		49858	TOW #802	55.00	
44258	11/19/12	432	3,690.28	EXPRESS SERVICES INC.		49751	FLT TEMP W/E 10/21	1,080.00	
						49842	TEMP W/E 10/28	1,080.00	
						49882	TEMP W/E 10/28	450.28	
						49918	TEMP W/E 11/4	1,080.00	
44259	11/19/12	490	2,300.00	FAST RESPONSE ON-SITE		49808	RESP TESTING	276.61	
44260	11/19/12	372	276.61	FEDERAL EXPRESS		49801	OPS GROUNDBREAKING	276.61	
44261	11/19/12	001172	751.41	FERGUSON ENTERPRISES INC. #795		49845	RPRS & MAINT	751.41	
44262	11/19/12	002295	39,764.70	FIRST ALARM		49954	OCT 12 SECURITY SVC	39,764.70	
44263	11/19/12	117	171.52	GILLIG LLC		49679	REV VEH PTS	171.52	
44264	11/19/12	003014	16.25	GOODEX SERVICES, INC.		49811	OCT 12 SHREDDING	16.25	
44265	11/19/12	282	2,103.77	GRAINGER		49709	RPRS & MAINT	149.41	
						49710	RPRS & MAINT	794.01	
						49824	SAFETY SUPPLIES	223.99	
						49825	RPRS & MAINT	306.88	
						49857	RPRS & MAINT	124.01	
						49860	RPRS & MAINT	152.20	

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT  
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DATE: 11/01/12 THRU 11/30/12

CHECK NUMBER	CHECK DATE	CHECK VENDOR	CHECK AMOUNT	VENDOR NAME	VENDOR TYPE	TRANS. NUMBER	TRANSACTION DESCRIPTION	TRANSACTION AMOUNT	COMMENT
44266	11/19/12	78.82 546	GRANITEROCK COMPANY			49863	RPRS & MAINT	261.22	
44267	11/19/12	545.34 003043	HASLER TOTAL FUNDS BY			49893	RPRS & MAINT	108.23	
44268	11/19/12	31.07 166	HOSE SHOP, THE			49897	CREDIT NOTE	-81.66	
44269	11/19/12	427.51 002117	IULIANO			49907	RPRS & MAINT	12.04	
44270	11/19/12	3,052.23 110	JESSICA GROCERY STORE, INC.		7	49911	RPRS & MAINT	53.44	
44271	11/19/12	2,444.00 878	KELLY SERVICES, INC.			49847	RPRS & MAINT	27.18	
44272	11/19/12	172.73 039	KINKO'S INC.			49910	RPRS & MAINT	51.64	
44273	11/19/12	1,003.77 E635	KINSLow, DEBBIE			49794	OCT 12 SVCS	545.34	
44274	11/19/12	704.00 852	LAW OFFICES OF MARIE F. SANG			49900	REV VEH PTS	31.07	
						49714	12/13 PROP TX 115DUB	427.51	
						49870	NOV 12 CUSTODIAL SVC	3,052.23	
						49951	TEMP W/E 10/21	2,444.00	
						49881	DIST COUNCEL BROCHUR	172.73	
						49952	TRAVEL REIMBURSEMENT	1,003.77	
						49883	CL# 11003338	80.00	
						49884	CL# 12000554	64.00	
						49885	CL#2004103551	208.00	
44275	11/19/12	100.00 880	LEXISNEXIS			49886	CL# 200717384,120693	352.00	
44276	11/19/12	57,156.48 003017	MANFIELD OIL CO OF GAINSVILLE			49828	OCT 12 SVCS	100.00	
						49826	10/19 DIESEL	28,920.02	
						49895	DIESEL 10/8	28,236.46	
						49833	REV VEH PTS	11.14	
44277	11/19/12	11.14 980	MCMASER-CARR SUPPLY CO			49814	10/1-10/31 SVCS	86.44	
44278	11/19/12	86.44 001342	MCW ASSOCIATES, INC.			49798	120BRIVER CIVIL ENG	1,200.00	
44279	11/19/12	1,200.00 406	MESITI-MILLER ENGINEERING, INC 0			49723	CLEANING SUPPLIES	365.99	
44280	11/19/12	797.82 001052	MID VALLEY SUPPLY			49892	CLEANING SUPPLIES	431.83	
						49698	UNIF & LAUNDRY	30.09	
44281	11/19/12	507.75 041	MISSION UNIFORM			49703	UNIF & LAUNDRY	59.25	
						49704	UNIF & LAUNDRY	177.49	
						49749	UNIF & LAUNDRY	177.49	
						49750	UNIF & LAUNDRY	59.25	
						49846	UNIF & LAUNDRY	4.18	
44282	11/19/12	12,482.79 001063	NEW FLYER INDUSTRIES LIMITED			49693	REV VEH PTS	37.98	
						49711	REV VEH PTS	1,169.71	
						49822	REV VEH PARTS	3,054.89	
						49823	REV VEH PTS	499.95	
						49829	REV VEH PTS	39.49	
						49830	REV VEH PTS	68.85	
						49831	REV VEH PTS	6,723.27	
						49841	REV VEH PTS	387.37	
						49909	REV VEH PTS	501.28	
44283	11/19/12	211.58 882	NORMA LARAE WEST		7	49802	OPS GROUNDBREAKING	108.50	
						49894	TIRE CTRL CARDS	103.08	
44284	11/19/12	308.14 004	NORTH BAY FORD LINC-MERCURY			49738	REV VEH PTS	308.14	
44285	11/19/12	14,842.00 001176	NORTHSTAR, INC.			49861	OCT 12 MAINT	14,842.00	
44286	11/19/12	2,849.34 009	PACIFIC GAS & ELECTRIC			49906	9/22-11/1 SVTC	2,849.34	
44287	11/19/12	707.99 043	PALACE ART & OFFICE SUPPLY			49719	OFFICE SUPPLY	628.74	
						49832	OFFICE SUPPLIES	6.36	
						49835	OFFICE SUPPLY	39.46	
						49843	OFFICE SUPPLY	6.36	

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT  
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44288	11/19/12	948.00 002947		PEDALERS EXPRESS	7	49844	CREDIT NOTE	-6.36	
44289	11/19/12	1,153.00 0099A		P G & E INSTALLMENT ACCT		49956	OFFICE SUPPLY	33.43	
44290	11/19/12	253.00 481		PIED PIPER EXTERMINATORS, INC.		49797	OCT 12 SVCS	948.00	
44291	11/19/12	227.85 187		POLAR RADIATOR SERVICE INC		49871	DEC 12 PWT	1,153.00	
44292	11/19/12	2,600.00 002993		POWERLINK CORPORATION		49697	OCT 12 PEST CONTROL	183.00	
44293	11/19/12	1,175.75 107A		PROBUILD		49917	OCT 12 PEST CONTROL	70.00	
						49728	REV VEH PTS	227.85	
						49944	UPS SYSTEM	2,600.00	
						49695	REV VEH PTS	9.75	
						49702	RPRS & MAINT	14.15	
						49713	RPRS & MAINT	20.47	
						49727	RPRS & MAINT	48.78	
						49800	OPS GROUNDBREAKING	203.44	
						49819	RPRS & MAINT	15.01	
						49820	RPRS & MAINT	17.85	
						49821	RPRS & MAINT	11.70	
						49836	RPRS & MAINT	8.08	
						49837	RPRS & MAINT	2.63	
						49838	RPRS & MAINT	74.71	
						49865	RPRS & MAINT	23.98	
						49866	RPRS & MAINT	19.09	
						49920	OPS GROUNDBREAKING	207.27	
						49945	BUS STOP RPRS	15.39	
						49946	BUS STOP RPRS	12.68	
						49947	BUS STOP RPRS	216.37	
						49948	BUS STOP RPRS	189.35	
						49949	BUS STOP RPRS	65.05	
						49876	DOT DRUG TEST	200.40	
44294	11/19/12	200.40 003020		QUEST DIAGNOSTIC		49810	NOV 12 LEASE/MAINT	523.12	
44295	11/19/12	630.82 215		RICOH USA, INC.		49955	8/18-9/17 RENTAL	107.70	
44296	11/19/12	2,302.50 001379		SAFETY-KLEEN		49859	HAZ WASTE DISP	2,302.50	
44297	11/19/12	454.11 135		SANTA CRUZ AUTO PARTS, INC.		49694	REV VEH PTS	25.09	
						49733	REV VEH PTS	21.90	
						49734	REV VEH PTS	171.44	
						49742	REV VEH PTS	21.72	
						49743	REV VEH PTS	199.04	
						49840	REV VEH PTS	14.92	
44298	11/19/12	7,141.28 977		SANTA CRUZ TRANSPORTATION, LLC		49827	OCT 12 SVCS	7,141.28	
44299	11/19/12	381.79 788		SCMTD PETTY CASH - FINANCE		49957	PETTY CASH REPLENISH	381.79	
44300	11/19/12	2,049.53 001232		SPECIALIZED AUTO AND		49717	OUT RPR REV VEH	476.52	
						49741	OUT RPR REV VEH	387.12	
						49803	OUT RPR REV VEH	569.52	
						49815	OUT RPR REV VEH	477.10	
						49816	OUT RPR REV VEH	139.27	
44301	11/19/12	352.74 104		STATE STEEL COMPANY	0	49834	RPRS & MAINT	329.41	
44302	11/19/12	387.08 002207		TY CUSTOM DESIGN	0	49856	RPRS & MAINT	23.33	
44303	11/19/12	672.70 366		TENNANT COMPANY		49809	SUPERVISOR BADGES	387.08	
44304	11/19/12	1,562.40 001800		THERMO KING OF SALINAS, INC		49696	PARTS & SUPP	672.70	
44305	11/19/12	9,575.30 002954		TIRE DISTRIBUTION SYSTEMS, LLC	7	49862	REV VEH PTS	1,562.40	
						49682	TIRES & TUBES	1,310.11	

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT  
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CHECK NUMBER	CHECK DATE	CHECK VENDOR	CHECK AMOUNT	VENDOR NAME	VENDOR TYPE	TRANS. NUMBER	TRANSACTION DESCRIPTION	TRANSACTION AMOUNT	COMMENT
						49683	TIRES & TUBES	655.06	
						49684	TIRES & TUBES	127.87	
						49687	TIRES & TUBES	975.61	
						49688	TIRES & TUBES	477.86	
						49689	TIRES & TUBES	1,112.62	
						49690	TIRES & TUBES	716.77	
						49817	TIRES & TUBES	499.09	
						49896	TIRES & TUBES	1,112.62	
						49898	TIRES & TUBES	57.38	
						49899	TIRES & TUBES	417.10	
						49901	TIRES & TUBES	20.17	
						49902	TIRES & TUBES	1,965.17	
						49903	TIRES & TUBES	127.87	
						49867	4246-0400-1371-4961	309.00	
						49868	4246-0400-1371-4946	4,304.33	
						49869	4246-0441-0112-5056	2,144.75	
						49905	FRT OUT FLT	29.59	
						49950	FRT OUT/FLT	31.56	
						49804	REV VEH PARTS	554.11	
						49805	REV VEH PARTS	59.70	
						49889	REV VEH PTS	39.80	
						49904	LUBE/FLUID FLT	2,547.25	
						49796	TRAVEL REIMBURSEMENT	30.47	
						49758	HR COACHING	1,187.50	
						49839	SAFETY SUPPLIES	57.66	
						49854	SUPPLIES VSW	63.97	
						49855	SUPPLIES OPS	20.22	
						49874	DEC 12 RENT	3,574.98	
						49873	DEC 12 RENT	1,758.04	
						49875	DEC 12 RENT	12,439.73	
						49960	CLAIM 12-0016	300.00	MANUAL
						49961	CLAIM 12-0020	1,671.08	MANUAL
						49962	DIST COUNSEL INTERV	124.32	MANUAL
						49963	OPS NEW WATER SVC	8,685.00	MANUAL
						50065	FUEL & LUBE REV VEH	12,579.68	MANUAL
						50066	CL# 12-0021	158.00	MANUAL
						50140	ON DEMAND MICROSOFT	-7,400.00	**VOID
						50141	DISCOUNT TAKEN	7,400.00	
						50141	ON DEMAND MICROSOFT	7,400.00	MANUAL
TOTAL			588,842.74	ACCOUNTS PAYABLE			TOTAL CHECKS	588,842.74	
							DISCOUNT	-7,400.00	
							A/P TOTAL	581,442.74	

# SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

**DATE:** February 8, 2013  
**TO:** Board of Directors  
**FROM:** Angela Aitken, Finance Manager  
**SUBJECT:** ACCEPTANCE OF FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT FOR YEAR ENDED JUNE 30, 2012

## I. RECOMMENDED ACTION

**That the Board of Directors formally accept the audited financial statements and reports prepared by the firm of Brown Armstrong, Certified Public Accountants, for the year ended June 30, 2012.**

## II. SUMMARY OF ISSUES

- The **Financial Statements with Independent Auditor's Report** (Attachment A) prepared by the firm Brown Armstrong, Certified Public Accountants present Santa Cruz METRO's financial position as of June 30, 2012, with a comparison to the financial position as of June 30, 2011. The auditors have found that Santa Cruz METRO's financial statements present fairly, in all material respects, the **financial position of Santa Cruz METRO as of June 30, 2012.**
- In the **Independent Auditor's Report on Compliance Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with the Statutes, Rules, and Regulations of the California Transportation Development Act and the Allocation Instructions and Resolutions of the Transportation Commission** (page 41-42), the auditors found nothing that came to their attention that indicated Santa Cruz METRO failed to comply with the Statutes, Rules, and Regulations of the California Transportation Development Act, and the allocation instructions and resolutions of the Santa Cruz County Regional Transportation Commission during the course of their audit. Additionally, the auditors verified all Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) program receipts and expenses for the year audited.
- In the **Schedule of Findings and Questioned Costs** (pages 43- 44) report, the auditors identified no findings associated with their testing of major federal program expenditures in connection with their audit performed under *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

- The **Required Communication to the Board of Directors in Accordance with Professional Standards** letter provides information related to the auditor's responsibilities under generally accepted auditing standards. (Attachment B)
- The prior year audit condition was cleared in the **Agreed upon Conditions Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting** letter (Attachment C). There were no current year audit conditions or recommendations.

### III. DISCUSSION

#### **Attachment A – Financial Statements with Independent Auditors Report**

The **Independent Auditor's Report** (page 1) documents that the audit was conducted 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. The auditors have found that Santa Cruz METRO's financial statements present fairly, in all material aspects, the financial position of Santa Cruz METRO as of June 30, 2012.

While the basic financial statements (pages 8-11) describe Santa Cruz METRO's financial position in detail, the **Management's Discussion and Analysis** (pages 3-7) presents narrative highlights of the financial statements, an overview of the agency's financial activities, and information that enhances overall financial disclosure. This report is prepared by Santa Cruz METRO management.

The **Statements of Net Assets** (pages 8-9) provide an overall summary of Santa Cruz METRO's Total Assets, Total Liabilities and Total Net Assets. Total Assets increased by \$15,126,326 or 14% while Total Liabilities increased by \$19,625,106 or 97% from the prior year. Total Net Assets are \$82,901,199 at June 30, 2012, a decrease of \$4,498,780 or -5% from the prior year. Total Assets increased this year due primarily to \$14 million in grant funds received from the PTMISEA for the construction of the new Judy K. Souza Operations Facility. Total Liabilities increased this year due primarily to the increase in deferred capital grant balances associated with this grant funding.

The **Statements of Revenues, Expenses and Changes in Fund Net Assets** (page 10) indicate a net loss before capital contributions of (\$11,438,454) and capital contribution revenue of \$6,939,674, resulting in a decrease of (\$4,498,780) in Net Assets for the year ended June 30, 2012.

The **Statements of Cash Flows** (page 11) demonstrate how changes in balance sheet accounts and income affect cash and cash equivalents. Cash and cash equivalents increased by \$15,973,835 due primarily to receipt of PTMISEA grant funds for the construction of the new

Operations Facility and funds received from CalEMA for Video Surveillance and Land Mobile Radio projects.

**Notes to Basic Financial Statements** (pages 12-29) are additional notes and information which are provided to help explain the computation of specific items in the financial statements as well as provide a more comprehensive assessment of Santa Cruz METRO's financial condition.

The Schedule of Funding Progress for Santa Cruz METRO's defined benefit pension plan (page 30) is presented in the **Required Supplementary Information** section of the report, following the notes to the financial statements. The Schedule of Funding Progress on the net obligation for future post-retirement medical benefits (OPEB) (page 31) presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The Statements of Operating Expenses (page 32) are presented as **Supplementary Information**, showing the total operating costs that were reported in the financials in further detail, broken out by natural expense classification.

#### **Attachment B - Required Communication to the Board of Directors in Accordance with Professional Standards**

The **Required Communication to the Board of Directors in Accordance with Professional Standards** is the letter from Brown Armstrong with information related to the conduct of the audit. This letter defines their responsibilities, significant accounting policies, accounting estimates, any significant audit adjustments, disagreements with management, consultations with other independent accountants, issues discussed prior to retention of independent auditors and any difficulties encountered in performing the audit.

#### **Attachment C - Agreed Upon Conditions Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting**

The **Agreed Upon Conditions Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting** is also known as the **Management Letter**. The purpose of the management letter is to detail the auditor's findings and make recommendations to increase efficiency, internal controls and/or financial reporting. There were no current year findings. The prior year finding has been cleared.

#### **IV. FINANCIAL CONSIDERATIONS**

There is no fiscal impact with the Board's acceptance of the financial statements and audit reports. However, in order to continue to receive Transportation Development Act (TDA)

payments from the Santa Cruz County Regional Transportation Commission, (SCCRTC) the final audit must be submitted to the SCCRTC.

**V. ATTACHMENTS**

- Attachment A:** Financial Statements with Independent Auditor's Report for the years ended June 30, 2012 and 2011
- Attachment B:** Required Communication to the Board of Directors in Accordance with Professional Standards (letter from Brown Armstrong)
- Attachment C:** Agreed Upon Conditions Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting (Management Letter from Brown Armstrong)

Prepared by: Lorraine N. Bayer, Accountant II

Date Prepared: January 30, 2013



# **Attachment A**

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2012 AND 2011**

# Attachment A

## SANTA CRUZ METROPOLITAN TRANSIT DISTRICT JUNE 30, 2012 AND 2011

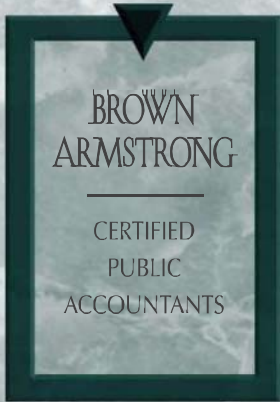
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# Attachment A

## FINANCIAL SECTION

# Attachment A



## BROWN ARMSTRONG

*Certified Public Accountants*

### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the Santa Cruz Metropolitan Transit District (Santa Cruz METRO), as of and for the years ended June 30, 2012 and 2011. These basic financial statements are the responsibility of Santa Cruz METRO's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Santa Cruz METRO, as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012, on our consideration of Santa Cruz METRO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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REGISTERED with the Public Company  
Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants

# Attachment A

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for Santa Cruz METRO's Defined Benefit Pension Plan and Other Postemployment Benefit (OPEB) Plan in the required supplementary information section be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying statements of operating expenses and the schedule of expenditures of federal awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. The statements of operating expenses and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California  
December 20, 2012

# Attachment A

## SANTA CRUZ METROPOLITAN TRANSIT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012 AND 2011

### Introduction

This report provides a narrative and analytical overview of the financial activities of the Santa Cruz Metropolitan Transit District (Santa Cruz METRO) with selected comparative information for the years ended June 30, 2012 and 2011. This discussion has been prepared by management and should be read in conjunction with the basic financial statements and the notes thereto, which follow this section.

Santa Cruz METRO is an independent agency formed in 1969 by the legislature of the State of California for the purpose of providing transit service to the general public in Santa Cruz County (County). Santa Cruz METRO is governed by a Board of Directors composed of eleven directors, and one ex-officio director as described in Note 1.A.

### The Financial Statements

Santa Cruz METRO's basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. Santa Cruz METRO reports its financial results using one enterprise fund under the accrual method of accounting which records revenue when earned and expenses when incurred.

The Statement of Net Assets presents information on Santa Cruz METRO's assets and liabilities, with the difference between the two reported as net assets.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets reports the operating revenues and expenses, non-operating revenues and expenses, and capital grant contributions. Federal capital grant expenses are listed in the Schedule of Expenditures of Federal Awards and are included in the current year increase in capital assets.

The Statement of Cash Flows reports the sources and uses of cash for the fiscal year resulting from *operating activities*, *non-capital* financing activities (operating grants and sales tax revenue), *capital* acquisitions and disposals, and related *financing* activities (non-transportation revenues). The net result of these activities, added to the cash balances at the beginning of the year, reconciles to the cash balances (current plus restricted) at the end of the current fiscal year on the Statement of Net Assets.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes describe the nature of Santa Cruz METRO's operations and significant accounting policies as well as clarify unique financial information.

Following the basic financial statements and footnotes is the Required Supplementary Information, which provides further detail on the funding progress of Santa Cruz METRO's defined benefit pension plan and other postemployment benefits.

The Statements of Operating Expenses, located in the Supplementary Information section of the financial statements, reports expenses in greater detail.

### Financial Highlights

The management of Santa Cruz METRO is pleased to present the following discussion that provides an overview of the financial activities related to operations (operating revenue and expense) and capital funding (contributions) received for facilities improvements and the purchase of capital equipment for the year ended June 30, 2012.

# Attachment A

## SANTA CRUZ METROPOLITAN TRANSIT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) JUNE 30, 2012 AND 2011

In fiscal year 2012, Santa Cruz METRO received over \$6.9 million in capital grant contributions, a decrease of approximately \$3.6 million from the prior year. Depreciable capital asset additions for the year totaled approximately \$1.2 million net of disposals and retirements. Significant capital asset activity includes:

- Purchase of 11 forty-foot low-floor compressed natural gas (CNG) fixed route buses. Purchased with a Federal Transit Authority (FTA) "State of Good Repair" grant and funds from the California Transportation Commission's (CTC's) State Local Partnership Program (SLPP). – Project in progress.
- Installation of a new bus dispatching and transit management information technology system (Hastus/Giro). Funded with Federal Transit Administration (FTA) American Recovery and Reinvestment Act (ARRA) funds. – Project complete.
- Purchase and installation of an additional 15,000-gallon liquefied/compressed natural gas (L/CNG) storage tank at Santa Cruz METRO's existing Fueling Station. Funding for this second tank has been secured through a grant with the Monterey Bay Unified Air Pollution Control District (MBUAPCD), supplemented with funds from the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). – Project in progress.
- Design of the new Judy K. Souza Operations Facility began in late fiscal year 2012. The planned operations building and bus parking structure at 1200 River Street will provide a permanent state of the art facility from which to deploy the fixed-route fleet. This project is the final phase of the transit agency's MetroBase consolidated operations in the Harvey West area of Santa Cruz. The project budget is estimated at approximately \$26 million, with the majority of funding provided by the PTMISEA program, which was established through Proposition 1B. – Project in progress.
- Purchase of Land Mobile Radio equipment. Funding provided by the California Emergency Management Agency (CalEMA). – Project in progress.
- Bus stop improvements – funded with State Transportation Improvement Program (STIP) funds. – Project in progress.
- Upgrades to information technology software systems, including:
  - Human resources software, Spectrum/Epicor/iVantage
  - Fleet and facilities software, Maintstar
- Facilities repairs, replacements, and improvements, including:
  - Operations Building replacements – new dispatch counter
  - Pacific Station improvements – security fencing and concrete work
  - Renovation of Pacific Station – Lane 4 awning
  - Improvements to the Watsonville Transit Center, including installation of new automatic security doors
  - New emergency generator at Pacific Station

Santa Cruz METRO provided 5,463,380 rides on both its fixed-route and paratransit services this year.

As with many transit and public agencies across the region and throughout state, Santa Cruz METRO continues to face financial challenges due to significant increases in operating costs coupled with depressed revenues as a result of the lingering economic recession. In an effort to mitigate future projected budget deficits, in April 2011, the Board of Directors adopted a comprehensive strategy that included new revenue sources and expense reductions including a fare increase to local bus fares and a

# Attachment A

## SANTA CRUZ METROPOLITAN TRANSIT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) JUNE 30, 2012 AND 2011

service reduction of 8.2% that was implemented in September 2011. Passenger fares were increased for the first time since 2003, while this was the second service reduction since 2010. Another component of the strategy adopted in April 2011 was the re-allocation and use of State Transit Assistance (STA) funding and Small Transit Intensive Cities (STIC) funds previously dedicated to Santa Cruz METRO's capital budget. With the re-allocations of these funding sources to the operating budget, it is expected that service will be fully restored following a complete and comprehensive system analysis that will begin in January 2013.

### Future Outlook

Construction on the new Judy K. Souza Operations Facility will begin in fiscal year 2013 with funding provided by the PTMISEA program. This final phase of the Consolidated MetroBase project will bring operations, maintenance, and administration into one cluster of buildings and provide the needed infrastructure to achieve service expansion goals. Significant amounts of time and agency resources will be dedicated to this project over the next three years.

Additional future capital projects include:

- Re-design and remodel of the Watsonville Transit Center and Pacific Station in Santa Cruz
- Additions and upgrades to wireless internet equipment and service on-board the Highway 17 fleet
- Installation of second L/CNG storage tank at the existing River Street Fueling Station

Santa Cruz METRO continues its emphasis on better serving the public transportation needs of Santa Cruz County. In the Spring and Fall of 2012, service was increased to fill service deficits that occurred because of service reductions in previous years. Ongoing ridership analysis and transit planning studies will provide the data necessary to identify changes in the transit needs of riders for future service enhancements that will better serve the community in the coming years.

### **Statement of Net Assets:**

	2012	2011	2010	2012 to 2011		2011 to 2010	
				Increase/(Decrease) Amount	%	Increase/(Decrease) Amount	%
Total Assets	\$ 122,760,286	\$ 107,633,960	\$ 105,530,289	\$ 15,126,326	14%	\$ 2,103,671	2%
Total Liabilities	\$ 39,859,087	\$ 20,233,981	\$ 22,352,299	\$ 19,625,106	97%	\$ (2,118,318)	-9%
Total Net Assets	\$ 82,901,199	\$ 87,399,979	\$ 83,177,990	\$ (4,498,780)	-5%	\$ 4,221,989	5%

Total Assets increased significantly this year due to increased restricted assets. Grant funds from PTMISEA for fiscal years 2010 and 2011 allocations were received in October 2011 and February 2012 totaling \$13,501,970. Additional capital grant funding was received from CalEMA in May and June 2012 in the amount of \$881,010. Funds received from PTMISEA will be spent on the Judy K. Souza Operations Facility, while funds received from CalEMA will be spent on the Video Surveillance and Land Mobile Radio projects.

Total Liabilities increased as well this year due to the receipt of the capital grant funds referenced above. These funds are restricted and reported as liabilities until spent on the specific project for which they were awarded.



# Attachment A

## SANTA CRUZ METROPOLITAN TRANSIT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) JUNE 30, 2012 AND 2011

For the fiscal year ended June 30, 2012, Santa Cruz METRO's net assets decreased by \$4,498,780.

### Statement of Revenues, Expenses, and Changes in Fund Net Assets:

	2012	2011	2010	2012 to 2011		2011 to 2010	
				Increase/(Decrease) Amount	%	Increase/(Decrease) Amount	%
Operating Revenues	\$ 8,772,949	\$ 8,616,639	\$ 8,427,994	\$ 156,310	2%	\$ 188,645	2%
Operating Expenses	(47,296,458)	(44,621,709)	(42,629,146)	(2,674,749)	-6%	(1,992,563)	-5%
Operating Loss	(38,523,509)	(36,005,070)	(34,201,202)	(2,518,439)	-7%	(1,803,868)	-5%
Non-Operating Revenues	27,085,055	29,757,700	24,327,789	(2,672,645)	-9%	5,429,911	22%
Capital Grant Contributions	6,939,674	10,469,359	6,861,247	(3,529,685)	-34%	3,608,112	53%
Increase (Decrease) in Net Assets	<u>\$ (4,498,780)</u>	<u>\$ 4,221,989</u>	<u>\$ (3,012,166)</u>	<u>\$ (8,720,769)</u>	<u>-207%</u>	<u>\$ 7,234,155</u>	<u>-240%</u>

Operating Revenues (Passenger Fares) increased by 1.81% this year due to an increase in local fares effective September 2011. The last time local fares were increased was July 2003.

Operating Expenses increased by 5.99% overall when compared to last year due to increases in medical insurance rates, the California Public Employees' Retirement System (CalPERS) retirement rate, workers' compensation costs, and legal claims settlement costs.

Non-Operating Revenues decreased by 8.98% primarily due to the use of the 2011 STA allocation in the operating budget, while the 2012 STA allocation will be used in the capital budget to fund the Judy K. Souza Operations Facility.

Capital Contributions are capital grant funds received for facilities improvements and the purchase of capital equipment including revenue vehicles. The receipt of capital grant funds can fluctuate year over year based on a variety of factors including project eligibility requirements, formula-based funding criteria, the economy, etc. Capital contributions decreased by 33.71% from the prior year as one-time grant funding was received in 2011 under ARRA.

### Statement of Cash Flows:

	2012	2011	2010	2012 to 2011 Change	2011 to 2010 Change
Net Cash Used in Operating Activities	\$ (31,551,498)	\$ (30,548,418)	\$ (30,988,599)	\$ (1,003,080)	\$ 440,181
Net Cash Provided by Non-Capital Financing Activities	27,233,074	28,867,864	24,074,716	(1,634,790)	4,793,148
Net Cash Provided by (Used in) Capital and Related Financing Activities	20,133,373	(1,091,853)	(637,360)	21,225,226	(454,493)
Net Cash Provided by Non-Transportation Activities	158,886	260,260	318,624	(101,374)	(58,364)
Net Increase (Decrease) in Cash and Cash Equivalents	15,973,835	(2,512,147)	(7,232,619)	18,485,982	4,720,472
Cash and Cash Equivalents, Beginning of Year	26,688,958	29,201,105	36,433,679	(2,512,147)	(7,232,574)
Cash and Cash Equivalents, End of Year	<u>\$ 42,662,793</u>	<u>\$ 26,688,958</u>	<u>\$ 29,201,060</u>	<u>\$ 15,973,835</u>	<u>\$ (2,512,102)</u>

Cash and cash equivalents held by Santa Cruz METRO increased by \$15,973,835 or 59.9% during the current year.

# Attachment A

## SANTA CRUZ METROPOLITAN TRANSIT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) JUNE 30, 2012 AND 2011

### **Contacting Santa Cruz METRO's Financial Management**

Santa Cruz METRO's financial report is designed to provide Santa Cruz METRO's Board of Directors, management, and the public with an overview of Santa Cruz METRO's finances. For additional information about this report, please contact Angela Aitken, Finance Manager, at 110 Vernon Street, Santa Cruz, CA 95060.

# **Attachment A**

## **BASIC FINANCIAL STATEMENTS**

# Attachment A

## SANTA CRUZ METROPOLITAN TRANSIT DISTRICT STATEMENTS OF NET ASSETS JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 25,241,660	\$ 22,771,455
Sales Tax, Grants, and Other Receivables	5,091,540	6,551,495
Inventory	730,930	816,327
Prepays	101,586	304,136
	<u>31,165,716</u>	<u>30,443,413</u>
Total Current Assets		
RESTRICTED ASSETS		
Cash and Cash Equivalents	<u>17,421,133</u>	<u>3,917,503</u>
CAPITAL ASSETS		
Building and Improvements	48,286,039	48,205,230
Revenue Vehicles	49,218,445	46,512,808
Operations Equipment	3,290,599	3,174,316
Other Equipment	1,495,966	1,500,624
Other Vehicles	1,035,271	1,035,271
Office Equipment	3,487,487	1,886,884
	<u>106,813,807</u>	<u>102,315,133</u>
Less Accumulated Depreciation	<u>(46,307,255)</u>	<u>(42,972,894)</u>
	60,506,552	59,342,239
Construction-in-Progress	4,502,015	4,765,935
Land	<u>9,164,870</u>	<u>9,164,870</u>
Total Capital Assets	<u>74,173,437</u>	<u>73,273,044</u>
TOTAL ASSETS	<u>\$ 122,760,286</u>	<u>\$ 107,633,960</u>

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

# Attachment A

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT  
STATEMENTS OF NET ASSETS (Continued)  
JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 915,561	\$ 26,987
Accrued Payroll and Employee Benefits	3,205,557	3,985,379
Deferred Rent	2,671	2,595
Workers' Compensation Liabilities	929,598	892,608
Other Accrued Liabilities	687,954	537,118
Security Deposit	16,034	16,134
Total Current Liabilities	<u>5,757,375</u>	<u>5,460,821</u>
NON-CURRENT LIABILITIES		
Deferred Revenue - Settlement Agreement	1,336,857	1,563,383
Deferred Revenue - State Transit Authority Grant	3,610,756	1,251,229
Deferred Revenue - PTMISEA Grant	13,495,804	430,416
Deferred Revenue - Proposition 1B OHS CTSGP Grant	1,770,467	905,465
Deferred Revenue - Other	-	-
OTHER LONG-TERM LIABILITIES		
Workers' Compensation Liabilities	3,310,633	3,234,889
Other Postemployment Benefit Liabilities	<u>10,577,195</u>	<u>7,387,778</u>
Total Liabilities	<u>39,859,087</u>	<u>20,233,981</u>
NET ASSETS		
Restricted Net Assets - PTMISEA	13,495,804	430,416
Net Assets Invested in Capital Assets	74,173,437	73,273,044
Unrestricted Net Assets	<u>(4,768,042)</u>	<u>13,696,519</u>
Total Net Assets	<u>82,901,199</u>	<u>87,399,979</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 122,760,286</u>	<u>\$ 107,633,960</u>

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

# Attachment A

## SANTA CRUZ METROPOLITAN TRANSIT DISTRICT STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
<b>OPERATING REVENUES</b>		
Passenger Fares	\$ 5,508,640	\$ 4,809,458
Special Transit Fares	3,264,309	3,807,181
	8,772,949	8,616,639
<b>OPERATING EXPENSES</b>		
Wages, Salaries, and Employee Benefits	33,255,270	31,309,520
Purchased Transportation Services	260,687	203,713
Materials and Supplies	3,178,300	3,108,165
Other Expenses	4,160,098	3,712,297
Depreciation	6,442,103	6,288,014
	47,296,458	44,621,709
Net Operating Loss	(38,523,509)	(36,005,070)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Sales and Use Taxes	16,064,503	15,209,774
Transportation Development Act Assistance	5,244,964	5,001,737
Section 8/5303 Planning Fund	19,144	2,816,187
Section 9/5307 Operating Assistance	3,707,070	3,696,155
Section 18/5307 Operating Assistance	1,445,821	2,431,310
Interest Income	115,371	133,518
Rental Income	43,515	126,742
Other Revenue	475,697	242,825
Gain (Loss) on Sale and Disposal of Property, Equipment, and Inventory	(31,030)	99,452
	27,085,055	29,757,700
Net Loss Before Capital Contributions	(11,438,454)	(6,247,370)
<b>CAPITAL CONTRIBUTIONS</b>		
Grants Restricted for Capital Expenditures	6,939,674	10,469,359
<b>NET ASSETS</b>		
Increase (Decrease) in Net Assets	(4,498,780)	4,221,989
Total Net Assets, Beginning of Year	87,399,979	83,177,990
Total Net Assets, End of Year	\$ 82,901,199	\$ 87,399,979

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

# Attachment A

## SANTA CRUZ METROPOLITAN TRANSIT DISTRICT STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 8,793,524	\$ 8,303,435
Payments to Employees	(33,922,358)	(31,176,155)
Payments to Suppliers	(6,422,664)	(7,675,698)
	<u>(31,551,498)</u>	<u>(30,548,418)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating Grants Received, Including Sales and Use Taxes	27,233,074	28,867,864
	<u>27,233,074</u>	<u>28,867,864</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Sale of Property and Equipment	36,891	99,452
Capital Grants Received	27,506,899	9,278,054
Capital Expenditures	(7,410,417)	(10,469,359)
	<u>20,133,373</u>	<u>(1,091,853)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment and Rental Income Received	158,886	260,260
	<u>158,886</u>	<u>260,260</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,973,835	(2,512,147)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	26,688,958	29,201,105
	<u>26,688,958</u>	<u>29,201,105</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 42,662,793	\$ 26,688,958
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Net Operating Loss	\$ (38,523,509)	\$ (36,005,070)
Adjustments to Reconcile Net Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	6,442,103	6,288,014
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	20,575	(313,204)
(Increase) Decrease in Inventory	85,397	(74,431)
(Increase) Decrease in Prepaid Expenses	202,550	170,741
Increase (Decrease) in Accounts Payable and Accrued Liabilities	888,574	(748,283)
Increase (Decrease) in Other Liabilities	(667,188)	133,815
	<u>(667,188)</u>	<u>133,815</u>
Net Cash Used in Operating Activities	\$ (31,551,498)	\$ (30,548,418)

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

# Attachment A

## SANTA CRUZ METROPOLITAN TRANSIT DISTRICT NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011

### NOTE 1 – OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of Organization

The Santa Cruz Metropolitan Transit District (Santa Cruz METRO) was formed February 9, 1969, following a favorable election in conformity with Section 9800 et. seq. of the Public Utilities Code. The transit system serves the general public in the cities of Santa Cruz, Watsonville, Scotts Valley, and Capitola and the unincorporated areas of Santa Cruz County. A Board of eleven directors and one Ex-Officio director representing the University of California, Santa Cruz governs Santa Cruz METRO. At June 30, 2012, the directors were as follows:

Chairperson:	Lynn Robinson		
Vice Chair:	Daniel Dodge		
Members:	Ellen Pirie	Margarita Alejo	Mark Stone
	Hilary Bryant	Deborah Lane	Ron Graves
	John Leopold	Dene Bustichi	Michelle Hinkle
Ex-Officio:	Donna Blitzer		

Santa Cruz METRO also serves the Highway 17 corridor into Santa Clara County to provide commuter express service through a memorandum of understanding with the California Department of Transportation, the Capitol Corridor Joint Powers Authority, and the Santa Clara Valley County Transit District (VTA). Amtrak Thruway bus service is also provided by Santa Cruz METRO on the same corridor.

#### B. Reporting Entity

Santa Cruz METRO and the Santa Cruz Civic Improvement Corporation (the Corporation) have a financial and operational relationship, which meets the reporting entity definition criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, *The Financial Reporting Entity*, for inclusion of the Corporation as a blended component unit of Santa Cruz METRO. Accordingly, the financial activities of the Corporation have been included in the basic financial statements of Santa Cruz METRO. For the years ending June 30, 2012 and 2011, these activities were minimal.

#### **Scope of Public Service:**

The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State in July 1986. The Corporation was formed for the sole purpose of providing financial assistance to Santa Cruz METRO for the construction and acquisition of major capital facilities.

The following are those aspects of the relationship between Santa Cruz METRO and the Corporation which satisfy GASB Statement No. 14/39 criteria.

#### Accountability:

1. Santa Cruz METRO's Board of Directors appointed the Corporation's Board of Directors.



# Attachment A

## NOTE 1 – OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### B. Reporting Entity (Continued)

2. Santa Cruz METRO is able to impose its will upon the Corporation based on the following:
  - All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of Santa Cruz METRO.
  - Santa Cruz METRO exercises significant influence over operations of the Corporation as it is anticipated that Santa Cruz METRO will be the sole lessee of all facilities owned by the Corporation. Likewise, it is anticipated that Santa Cruz METRO's lease payments will be the sole revenue source of the Corporation.
3. The Corporation provides specific financial benefits or imposes specific financial burdens on Santa Cruz METRO based upon the following:
  - Santa Cruz METRO has assumed a “moral obligation,” and potentially a legal obligation, for any debt incurred by the Corporation.

### C. Basis of Accounting and Presentation

Santa Cruz METRO is accounted for as a Business-Type Activity, as defined by GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, and its basic financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Santa Cruz METRO adopted GASB Statement No. 34 as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, as of and for the year ended June 30, 2003, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into three net asset categories; namely, those invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

#### **Contributed Capital/Reserved Retained Earnings:**

Santa Cruz METRO receives grants from the Federal Transit Authority (FTA) and other agencies of the U.S. Department of Transportation, state, and local transportation funds for the acquisition of transit-related equipment and improvements. Prior to July 1, 2001, capital grants were recognized as donated capital to the extent that project costs under the grant had been incurred. Capital grant funds earned, less amortization equal to accumulated depreciation of the related assets, were included in contributed capital. As required by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, Santa Cruz METRO changed its method of accounting for capital grants from capital contributions to reserved non-operating revenues. In accordance with GASB Statement No. 33, capital grants are required to be included in the determination of net income resulting in an increase in net revenue of \$6,939,674 and \$10,469,359 for the fiscal years 2012 and 2011, respectively.

Under GASB Statement No. 34, contributed capital and reserved retained earnings are presented in the net asset section as net assets invested in capital assets.

# Attachment A

## NOTE 1 – OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Basis of Accounting and Presentation (Continued)

#### **Proprietary Accounting and Financial Reporting:**

As required under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Santa Cruz METRO will continue to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. Santa Cruz METRO has elected under GASB Statement No. 20 to not apply all FASB Statements and Interpretations issued after November 30, 1989, due to the governmental nature of Santa Cruz METRO's operations.

#### **Net Assets:**

Net assets represent the residual interest in Santa Cruz METRO's assets after liabilities are deducted. In accordance with GASB Statement No. 34, the fund equity section on the statements of net assets was combined to report total net assets and present it in three broad components: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets invested in capital assets include capital assets net of accumulated depreciation. Net assets are restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net assets are unrestricted.

When both restricted and unrestricted resources are available for use, generally it is Santa Cruz METRO's policy to use restricted resources first, and then unrestricted resources as they are needed.

### D. Cash and Cash Equivalents

Santa Cruz METRO considers all highly liquid investments with a maturity date within three months of the date acquired to be cash equivalents. Santa Cruz METRO deposits funds into an external investment pool maintained by Santa Cruz County. These deposits are considered cash equivalents. The Santa Cruz County Pooled Investment Fund is authorized to invest in obligations of the U.S. Treasury agencies and instrumentalities, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. Cash and cash equivalents are stated at fair value. For purposes of the statements of cash flows, Santa Cruz METRO considers all highly liquid investments (including restricted assets) to be cash equivalents.

### E. Inventory

Inventory is carried at cost using the first-in/first-out (FIFO) method. Inventory held by Santa Cruz METRO consists of spare bus parts and operating supplies that are consumed by Santa Cruz METRO and are not for resale purposes.

### F. Restricted Assets

Certain assets are classified as restricted assets on the statements of net assets because their use is subject to externally imposed stipulations, either by laws or regulations.

# Attachment A

## NOTE 1 – OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### F. Restricted Assets (Continued)

The cash resulting from a settlement agreement, as described in Note 9, represents proceeds restricted by the FTA. The State Transit Assistance (STA) Grant, Proposition 1B Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Grant, and the Proposition 1B Office of Homeland Security (OHS) California Transit Security Grant Program (CTSGP) Grant are restricted for capital expenditures. Restricted assets at June 30 are as follows:

	<u>2012</u>	<u>2011</u>
Cash and Cash Equivalents		
Federal Transit Administration Grant	\$ 1,336,857	\$ 1,330,393
Proposition 1B PTMISEA Grant	13,495,804	430,416
Proposition 1B OHS CTSGP Grant	1,770,466	905,465
State Transit Assistance Grant	<u>818,006</u>	<u>1,251,229</u>
Total Restricted Assets	<u>\$ 17,421,133</u>	<u>\$ 3,917,503</u>

### G. Property and Equipment

Property and equipment are recorded at cost. Depreciation for all such assets is computed on a straight-line basis. Estimated useful lives of assets are as follows:

Buildings and improvements	20-39 years
Revenue vehicles	12 years
Other vehicles and equipment	3-10 years

Depreciation expense on assets acquired with capital grant funds are transferred to net assets, invested in capital assets, net of related debt, after being charged to operations.

Major improvements and betterments to existing facilities and equipment are capitalized. Costs for maintenance and repairs, which do not extend the useful lives of the applicable assets, are charged to expense as incurred. Upon disposition, costs and accumulated depreciation are removed from the accounts and resulting gains or losses are included in operations.

Santa Cruz METRO completed and capitalized the Scotts Valley Transit Center in fiscal year 1999. The cost of this facility totaled \$4,063,634, which was funded by federal, state, and local funds. The Scotts Valley Redevelopment Agency (the Agency), a political subdivision of the State of California, was one of Santa Cruz METRO's funding sources for this project and has retained an interest in the property. The title to the property is retained by both Santa Cruz METRO and the Agency as tenants in common with each party holding an individual interest in proportion to each party's financial participation in the project. The Agency's portion of the property is 13.87%. The Agency's portion is not recorded in Santa Cruz METRO's basic financial statements.

### H. Sales and Use Tax

Santa Cruz METRO receives a 0.5% sales and use tax levied on all taxable sales in Santa Cruz County, which is collected and administered by the California State Board of Equalization. Additionally, Santa Cruz METRO is allocated, through the Santa Cruz County Regional Transportation Commission, a portion of the 0.25% sales and use tax levied by the Transportation Development Act (TDA).

### I. Operating Assistance Grants

Operating assistance grants are recognized as revenue in the grant period earned.

# Attachment A

## NOTE 1 – OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### J. Self-Insurance

Santa Cruz METRO is self-insured for the first \$250,000 of general and vehicular liability. For settlements in excess of \$250,000, Santa Cruz METRO has total coverage up to \$20,000,000 per occurrence. Additionally, Santa Cruz METRO is self-insured up to \$350,000 for workers' compensation claims. Santa Cruz METRO has recorded a liability for estimated claims to be paid including incurred but not reported claims.

### K. Employee Benefits

Annual and medical leave benefits are accrued when earned and reduced when used. Any paid medical leave accrued beyond 96 hours may, at the employee's option, be converted to annual leave and credited to the employee's annual leave schedule or paid in cash, depending on the bargaining unit, at 100% of the earned rate. Employees are paid accrued and unused annual leave at the time of separation from Santa Cruz METRO service.

### L. Payroll

Santa Cruz METRO contracts with the Santa Cruz County Auditor-Controller to provide payroll processing services.

### M. Pension Costs

Pension costs are expensed as incurred. These costs equal the actuarially determined annual contribution amount.

### N. Use of Estimates

The preparation of basic 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 basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### O. Reclassifications

Certain reclassifications have been made to prior period amounts to conform to the classifications used in the current period. Such reclassifications had no effect on Santa Cruz METRO's financial positions or results of operations for the periods presented.

### P. Future Governmental Accounting Standards Board Statements

**GASB Statement No. 60** – *Accounting and Financial Reporting for Service Concession Arrangements* addresses accounting and financial reporting issues related to public - private and public - public partnerships. The statement is effective for periods beginning after December 15, 2011. Management has not evaluated the effect of GASB Statement No. 60 on the Santa Cruz METRO financial statements.

**GASB Statement No. 61** – *The Financial Reporting Entity: Omnibus, an Amendment of GASB Statements No. 14 and No. 34* modifies a number of provisions with regard to reporting of component units within a financial reporting entity. The statement is effective for periods beginning after June 15, 2012. Santa Cruz METRO has elected to not early implement GASB Statement No. 61 and has not determined its effect on the Santa Cruz METRO financial statements.

# Attachment A

## NOTE 1 – OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### P. Future Governmental Accounting Standards Board Statements (Continued)

**GASB Statement No. 62** – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements – FASB Statements and Interpretations, APB Opinions, and ARBs of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The statement is effective for periods beginning after December 15, 2011. However, as the statement codifies what is in current practice, there is no net effect on Santa Cruz METRO's accounting or financial reporting upon the statement's implementation.

**GASB Statement No. 63** – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* modifies current financial reporting of those elements. The largest change will be the replacement of the current Statement of Net Plan Assets with a Statement of Net Plan Position upon implementation for periods beginning after December 15, 2011. GASB Statement No. 63 will not have an effect on Santa Cruz METRO's financial statements.

**GASB Statement No. 64** – *Derivative Instruments: Application of Hedge Accounting Termination Provisions* amends current accounting and financial reporting related to terminations of swap agreements due to default or other termination events. In certain instances where swap counterparties or credit support providers are replaced, hedge accounting may continue, rather than cease. The provisions of GASB Statement No. 64 are effective for financial statements beginning after June 15, 2011. Because Santa Cruz METRO does not enter into hedge agreements with swap providers for the purpose of managing risk beyond investment return, GASB Statement No. 64 will not apply.

**GASB Statement No. 65** – *Items Previously Reported as Assets and Liabilities* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. Santa Cruz METRO has not determined the effects of the implementation of this statement on its financial statements.

**GASB Statement No. 66** – *Technical Corrections—2012—an Amendment of GASB Statements No. 10 and No. 62* is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. Santa Cruz METRO does not expect the implementation of this statement to have a material effect on the financial statements.

**GASB Statement No. 67** – *Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25* improves financial reporting by state and local governmental pension plans. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2013. Santa Cruz METRO has not determined the effects of the implementation of this statement on its financial statements.

**GASB Statement No. 68** – *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* improves accounting and financial reporting by state and local governments for pensions. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The implementation of this standard will have a material effect on the Santa Cruz METRO financial statements.

# Attachment A

## NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Cash on Hand	\$ 55,158	\$ 46,718
Demand Deposits	590,291	480,887
Deposits in Santa Cruz County Pooled Investment Fund	<u>42,017,344</u>	<u>26,161,353</u>
	<u>\$ 42,662,793</u>	<u>\$ 26,688,958</u>

### Cash on Hand and Cash in Banks

### **Investments Authorized by the California Government Code and Santa Cruz METRO's Investment Policy**

The table below identifies the **investment types** that are authorized for Santa Cruz METRO by the California Government Code (or Santa Cruz METRO's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or Santa Cruz METRO's investment policy, where more restrictive) that address **interest rate risk**, **credit risk**, and **concentration of credit risk**.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers' Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	None	None
Medium-Term Notes	5 years	None	None
Mutual Funds	N/A	None	None
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	5 years	None	None
County Pooled Investment Funds	N/A	100%	None
Local Agency Investment Fund (LAIF)	N/A	None	None

### **Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of Santa Cruz METRO's investments to market interest rate fluctuations is provided by the following table that shows the distribution of Santa Cruz METRO's investments by maturity:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
County Pooled Investment Fund	<u>\$ 42,017,344</u>	<u>\$ 42,017,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# Attachment A

## NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

### Cash on Hand and Cash in Banks (Continued)

#### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, Santa Cruz METRO's investment policy, and the actual rating as of year-end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB Statement No. 40 does not require disclosure as to credit risk:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End		
				AAA	Aa	Not Rated
County Pooled Investment Fund	<u>\$42,017,344</u>	<u>N/A</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$42,017,344</u>

#### Concentration of Credit Risk

The investment policy of Santa Cruz METRO contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Santa Cruz METRO did not have any investments in any one issuer (other than external investment pools) that represent 5% or more of total Santa Cruz METRO's investments at June 30, 2012 or 2011.

#### Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and Santa Cruz METRO's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). 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.

#### Custodial Credit Risk

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: None of Santa Cruz METRO's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

#### Investment in Santa Cruz County Pooled Investment Fund

Santa Cruz METRO is a voluntary participant in the Santa Cruz County Pooled Investment Fund. The fair value of Santa Cruz METRO's investment in this pool is reported in the accompanying basic financial statements at amounts based upon Santa Cruz METRO's pro-rata share of the fair value provided by the Santa Cruz County for the entire Santa Cruz County portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Santa Cruz County, which are recorded on an amortized cost basis.

# Attachment A

## NOTE 3 – RECEIVABLES

Receivables at June 30 are as follows:

	<u>2012</u>	<u>2011</u>
Federal Grants	\$ 23,260	\$ 42,610
State Grants	1,731,162	3,026,054
Local Grants	-	176
Sales Tax Revenue	2,644,200	2,506,200
Other	692,918	976,455
	<u>\$ 5,091,540</u>	<u>\$ 6,551,495</u>

## NOTE 4 – CHANGES IN CAPITAL ASSETS

Facilities, property, and equipment at June 30 are summarized as follows:

June 30, 2012

	Balance July 1, 2011	Additions and Transfers	Retirements and Transfers	Balance June 30, 2012
Non-Depreciated Assets				
Land	\$ 9,164,870	\$ -	\$ -	\$ 9,164,870
Construction-in-Progress	4,765,935	7,410,417	(7,674,337)	4,502,015
Total Non-Depreciated Assets	13,930,805	7,410,417	(7,674,337)	13,666,885
Depreciated Assets				
Building and Improvements	48,205,230	190,725	(109,916)	48,286,039
Revenue Vehicles	46,512,808	5,626,839	(2,921,202)	49,218,445
Operations Equipment	3,174,316	239,075	(122,792)	3,290,599
Other Equipment	1,500,624	-	(4,658)	1,495,966
Other Vehicles	1,035,271	-	-	1,035,271
Office Equipment	1,886,884	1,617,698	(17,095)	3,487,487
Total Depreciated Assets	102,315,133	7,674,337	(3,175,663)	106,813,807
Less Accumulated Depreciation	(42,972,894)	(6,442,103)	3,107,742	(46,307,255)
Depreciated Assets Net of Accumulated Depreciation	59,342,239	1,232,234	(67,921)	60,506,552
Total Capital Assets	<u>\$ 73,273,044</u>	<u>\$ 8,642,651</u>	<u>\$ (7,742,258)</u>	<u>\$ 74,173,437</u>

Depreciation expense at June 30, 2012, was \$6,442,103.



# Attachment A

## NOTE 4 – CHANGES IN CAPITAL ASSETS (Continued)

June 30, 2011

	<u>Balance July 1, 2010</u>	<u>Additions and Transfers</u>	<u>Retirements and Transfers</u>	<u>Balance June 30, 2011</u>
<b>Non-Depreciated Assets</b>				
Land	\$ 9,164,870	\$ -	\$ -	\$ 9,164,870
Construction-in-Progress	36,681,106	3,340,193	(35,255,364)	4,765,935
<b>Total Non-Depreciated Assets</b>	<b>45,845,976</b>	<b>3,340,193</b>	<b>(35,255,364)</b>	<b>13,930,805</b>
<b>Depreciated Assets</b>				
Building and Improvements	12,483,953	35,721,942	(665)	48,205,230
Revenue Vehicles	44,599,626	4,034,227	(2,121,045)	46,512,808
Operations Equipment	1,810,861	2,138,658	(775,203)	3,174,316
Other Equipment	1,500,624	-	-	1,500,624
Other Vehicles	1,169,471	-	(134,200)	1,035,271
Office Equipment	1,453,135	489,703	(55,954)	1,886,884
<b>Total Depreciated Assets</b>	<b>63,017,670</b>	<b>42,384,530</b>	<b>(3,087,067)</b>	<b>102,315,133</b>
Less Accumulated Depreciation	(39,771,947)	(6,288,014)	3,087,067	(42,972,894)
Depreciated Assets Net of Accumulated Depreciation	<u>23,245,723</u>	<u>36,096,516</u>	<u>-</u>	<u>59,342,239</u>
<b>Total Capital Assets</b>	<b><u>\$ 69,091,699</u></b>	<b><u>\$ 39,436,709</u></b>	<b><u>\$ (35,255,364)</u></b>	<b><u>\$ 73,273,044</u></b>

Depreciation expense at June 30, 2011, was \$6,288,014.

## NOTE 5 – CAPITAL GRANTS

Santa Cruz METRO receives grants from the Federal Transit Authority (FTA), which provides financing for the acquisition of rolling stock and construction of facilities. Santa Cruz METRO also receives grants under the State TDA primarily for the acquisition of rolling stock and support equipment, and purchase of furniture and fixtures.

A summary of federal, state, and local grant activity for the years ended June 30 is as follows:

	<u>2012</u>	<u>2011</u>
Federal Grants	\$ 5,541,880	\$ 5,691,481
State Grants	1,397,794	4,777,878
<b>Total Capital Grants</b>	<b><u>\$ 6,939,674</u></b>	<b><u>\$ 10,469,359</u></b>

# Attachment A

## NOTE 6 – COMMITMENTS

Santa Cruz METRO leases a number of its facilities under operating leases through 2016. For the years ended June 30, 2012 and 2011, rental expense relating to the leases was \$212,684 and \$284,454, respectively. In addition, Santa Cruz METRO receives rent income from retail space in its transit centers. Minimum net lease payments and receipts for existing operating leases are as follows:

<u>Year Ending June 30</u>	<u>Lease Commitments</u>	<u>Rental Income</u>	<u>Net</u>
2013	\$ 214,124	\$ 133,619	\$ 80,505
2014	174,211	125,924	48,287
2015	21,949	128,268	(106,319)
2016	22,388	64,387	(41,999)
Thereafter	-	14,316	(14,316)
	<u>\$ 432,672</u>	<u>\$ 466,514</u>	<u>\$ (33,842)</u>

## NOTE 7 – JOINT VENTURES (JOINT POWERS AUTHORITY WITH CalTIP)

Santa Cruz METRO participates in a joint powers authority (JPA), the California Transit Insurance Pool (CalTIP). The relationship between Santa Cruz METRO and the JPA is such that the JPA is not a component unit of Santa Cruz METRO for financial reporting purposes.

CalTIP arranges for and provides property and liability insurance for its 34 members. CalTIP is governed by a board that controls the operations of CalTIP, including selection of management and approval of operating budgets, independent of any influence by the member districts. Each member district pays a premium commensurate with the level of coverage requested and shares in surpluses and deficits proportionate to their participation in CalTIP.

Condensed audited financial information of CalTIP for the years ended April 30 (most recent information available) is as follows:

	<u>2012</u>	<u>2011</u>
Total Assets	\$ 27,464,131	\$ 26,331,874
Total Liabilities	<u>13,027,097</u>	<u>11,049,263</u>
Fund Balance	<u>\$ 14,437,034</u>	<u>\$ 15,282,611</u>
Total Revenues	\$ 5,284,303	\$ 5,304,038
Total Expenditures	<u>6,129,880</u>	<u>6,569,449</u>
Net Decrease in Fund Balance	<u>\$ (845,577)</u>	<u>\$ (1,265,411)</u>

CalTIP has not calculated Santa Cruz METRO's share of year-end assets, liabilities, or fund balance.

## NOTE 8 – WATSONVILLE FLEET MAINTENANCE FACILITY SETTLEMENT RECEIPT

Santa Cruz METRO's fleet maintenance facility in Watsonville was damaged in the Loma Prieta earthquake (the earthquake) in October 1989. An engineering study concluded that the demolition of the existing facility and construction of a new facility was the most practical course of action. Therefore, the net book value of the facility was written off the books in a prior year.

# Attachment A

## **NOTE 8 – WATSONVILLE FLEET MAINTENANCE FACILITY SETTLEMENT RECEIPT** (Continued)

In addition, due to design and construction deficiencies by the design and building contractors involved in the original project, Santa Cruz METRO initiated litigation against the contractors and came to a settlement agreement with said contractors on May 30, 1995. In accordance with this agreement, the contractors remitted \$4,776,858 (including \$171,538 in costs) to Santa Cruz METRO during fiscal year 1996, representing damages less attorney fees. FTA Section 3/5309 restricts the use of these proceeds, and the interest earned thereon. Accordingly, the net restricted amount of \$1,336,857 and \$1,330,393 is reflected on the statements of net assets as deferred revenue at June 30, 2012 and 2011, respectively.

## **NOTE 9 – CONTINGENCIES**

Santa Cruz METRO has received state and federal funds for specific purposes that are subject to review and audit by grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, Santa Cruz METRO believes that any required reimbursement will not be material.

Additionally, Santa Cruz METRO is party to various claims and litigation in the normal course of business. In the opinion of management and in-house counsel, any ultimate losses have been adequately provided for in the basic financial statements.

## **NOTE 10 – DEFINED BENEFIT PENSION PLAN**

### Plan Description

Santa Cruz METRO's defined benefit pension plan, the Miscellaneous Plan for Santa Cruz Metropolitan Transit District (the Plan), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers with the State of California. A menu of benefit provisions as well as other requirements is established by state statutes within the Public Employees' Retirement Law. Santa Cruz METRO selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board of Directors action. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

### Funding Policy

There are 292 active plan members in the Plan as of June 30, 2012, which are required to contribute a percentage of their annual covered salary. In lieu of salary increases and for employees who agreed to salary reductions in certain prior years, Santa Cruz METRO agreed to pay a portion of the employee contribution, based on formulas negotiated in their labor agreements. Santa Cruz METRO is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2012, was 17.205%. The contribution requirements of the Plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

# Attachment A

## NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

### Annual Pension Cost

For the fiscal year ended June 30, 2012, Santa Cruz METRO's annual pension cost of \$2,664,532 was equal to Santa Cruz METRO's required and actual contributions. This includes Santa Cruz METRO's contribution to the employee contribution requirement. The required contribution for the fiscal year ended June 30, 2012, was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administration expenses), (b) projected salary increases that vary by duration of service ranging from 3.55% to 14.45% for miscellaneous members, and (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three-year period. The Plan's unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on a closed basis.

### Three-Year Trend Information for the Plan

Three-year trend information, with respect to Santa Cruz METRO's participation in CalPERS, is as follows:

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	\$ 2,151,927	100%	\$ -
6/30/2011	\$ 2,156,777	100%	\$ -
6/30/2012	\$ 2,664,532	100%	\$ -

The funded status for the prior three years to June 30, 2010, (the last available date) for Santa Cruz METRO is as follows:

<u>Valuation Date</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
6/30/2008	\$ 97,329,553	\$ 85,056,437	\$ 12,273,116	87.4%	\$ 16,065,532	76.4%
6/30/2009	\$ 109,418,745	\$ 89,621,182	\$ 19,797,563	81.9%	\$ 16,397,024	120.7%
6/30/2010	\$ 115,194,294	\$ 93,813,512	\$ 21,380,782	81.4%	\$ 16,109,672	132.7%

## NOTE 11 – DEFERRED COMPENSATION PLAN

Santa Cruz METRO offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and provisions of the Government Code of the State of California. The plan, available to all Santa Cruz METRO employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, or unforeseeable emergency. Santa Cruz METRO employees participate in two such plans, the Great-West Life and Annuity Insurance (Great-West) plan and the other through CalPERS.

At June 30, 2012 and 2011, all amounts held under the Great-West plan and the CalPERS plan are held in trust and are not reflected on the accompanying statement of net assets as required under GASB Statement No. 27, *Accounting Standards for Pensions by State and Local Governmental Employers*.

Complete financial statements for Great-West can be obtained from Great-West at PO Box 173764 Denver, CO 80217-3764. Complete financial statements for CalPERS can be obtained from CalPERS at Lincoln Plaza North, 400 Q Street, Sacramento, CA 94229.

# Attachment A

## NOTE 12 – RISK MANAGEMENT

Santa Cruz METRO is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which Santa Cruz METRO carries commercial insurance. Santa Cruz METRO has established limited risk management programs for workers' compensation, and general and vehicular liability, as described in Note 1, as well.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The IBNR for workers' compensation was based on an actuarial study dated May 2010. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Changes in the balances of claims liabilities are as follows:

	<u>2012</u>	<u>2011</u>
Workers' Compensation Liabilities:		
Unpaid Claims, Beginning of Fiscal Year	\$ 4,127,497	\$ 4,083,077
Incurred Claims (Including IBNRs)	(1,085,912)	(953,272)
Claim Payments	<u>1,198,646</u>	<u>997,692</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 4,240,231</u>	<u>\$ 4,127,497</u>

## NOTE 13 – TRANSPORTATION DEVELOPMENT ACT/CALIFORNIA ADMINISTRATIVE CODE

Santa Cruz METRO is subject to compliance with the TDA provisions, Sections 6634 and 6637 of the California Administrative Code and Sections 99267, 99268.1, and 99314.6 of the Public Utilities Code.

### Section 6634

Pursuant to Section 6634, a transit claimant is precluded from receiving monies from the Local Transportation Fund and the STA Fund in an amount which exceeds the claimant's capital and operating costs, less the required fares, and local support. Santa Cruz METRO did not receive TDA or State Transit Assistance revenues in excess of the prescribed formula amounts.

### Section 6637

Pursuant to Section 6637, a claimant must maintain its accounts and records in accordance with the Uniform System of Accounts and Records for Transit Operators adopted by the State Controller. Santa Cruz METRO did maintain its accounts and records in accordance with the Uniform System of Accounts and Records for Transit Operators.

### Sections 99267, 99268.1, and 99314.6

Pursuant to the TDA, Santa Cruz METRO is defined as an older operator and is not required to meet the fare box ratio requirement of the TDA. Santa Cruz METRO has met the 50% expenditure limitation requirement.

# Attachment A

## **NOTE 14 – PUBLIC TRANSPORTATION MODERNIZATION, IMPROVEMENT, AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA)**

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, Proposition 1B. 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). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators 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.

The audit of public transportation operator finances, pursuant to Section 99245 of the Public Utilities Code (PUC) and required under the TDA, was expanded to include verification of receipt and appropriate expenditure of PTMISEA bond funds.

The Santa Cruz County Regional Transportation Commission (SCCRTC) is responsible for allocating the Proposition 1B PUC Section 99313 funds in Santa Cruz County. In December 2007, the SCCRTC programmed 100% of its share of Section 99313 Proposition 1B PTMISEA funds (approximately \$2.1 million) to Santa Cruz METRO for the Consolidated MetroBase Project. Funds audited include the SCCRTC share of PUC Section 99313 Proposition 1B transit funds that have been passed-through to Santa Cruz METRO.

During the fiscal year ended June 30, 2012, Santa Cruz METRO applied for and received proceeds of \$13,501,970 and earned interest of \$26,866 from the State's PTMISEA account for construction funding for the Consolidated MetroBase Project. During the fiscal year ended June 30, 2012, qualifying expenditures of \$463,448 were incurred and the remaining balance of \$13,495,804 including accrued interest was deferred. Qualifying expenditures must be encumbered within three years from the date of the allocation and expended within three years from the date of encumbrance.

### **Schedule of PTMISEA Bond 1B Grants For the Year Ended June 30, 2012**

	<u>2012</u>
<b>Balance - beginning of the year</b>	\$ 430,416
<b>Receipts:</b>	
Warrant No 66-301674 - Deposited 10/27/11	2,491,923
Warrant No 66-830063 - Deposited 2/13/12	11,010,047
Interest accrued 7/1/2011 through 6/30/2012	26,866
<b>Expenses:</b>	
MetroBase Construction	<u>(463,448)</u>
<b>Balance - end of year</b>	<u>\$ 13,495,804</u>

# Attachment A

**NOTE 14 – PUBLIC TRANSPORTATION MODERNIZATION, IMPROVEMENT, AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA) (Continued)**

**Schedule of PTMISEA Bond 1B Grants  
For the Year Ended June 30, 2011**

	2011
<b>Balance - beginning of the year</b>	\$ 1,475,663
<b>Receipts:</b>	
Interest accrued 7/1/2010 through 6/30/2011	5,091
<b>Expenses:</b>	
MetroBase Construction	(1,050,338)
<b>Balance - end of year</b>	\$ 430,416

**NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

Plan Description

Santa Cruz METRO provides post-retirement CalPERS medical benefits to qualified retired employees age 50 and older (including eligible dependents) who have completed at least five years of CalPERS eligible service. Santa Cruz METRO pays medical premiums depending on bargaining union contract requirements. If the retiree has ten years of Santa Cruz METRO eligible service, Santa Cruz METRO provides post-retirement dental and vision benefits for qualified retirees (including eligible dependents), and life insurance for the retiree only, until the retiree reaches age 65. Bus operators who retired and reached the age of 65 prior to June 30, 1994, will continue to receive dental and vision coverage beyond age 65. Life insurance is not provided to management retirees who retired prior to July 1, 2005. The costs of providing these benefits are recognized when paid. Santa Cruz METRO has recognized approximately \$2,324,583 and \$2,023,718 of expense for these benefits for the years ending June 30, 2012 and 2011, respectively.

Annual OPEB Cost and Net OPEB Obligation

Santa Cruz METRO's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For fiscal year 2011-12, Santa Cruz METRO's annual OPEB cost was \$5,514,000. Santa Cruz METRO's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012, were as follows:

Annual required contribution	\$ 5,567,000
Interest on net OPEB obligation	280,000
Adjustments to annual required contribution	(333,000)
Annual OPEB cost	5,514,000
Contributions made	2,324,583
Change in net OPEB obligation (asset)	3,189,417
Net OPEB obligation (asset) - beginning of year	7,387,778
Net OPEB obligation (asset) - end of year	\$ 10,577,195

# Attachment A

## NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

### Annual OPEB Cost and Net OPEB Obligation (Continued)

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Ending OPEB Obligation (Asset)</u>
6/30/2010	\$ 4,154,630	\$ 1,597,810	38.46%	\$ 5,118,074
6/30/2011	\$ 4,293,422	\$ 2,023,718	47.14%	\$ 7,387,778
6/30/2012	\$ 5,514,000	\$ 2,324,583	42.16%	\$ 10,577,195

### Funding Policy, Funded Status, and Funding Progress

Santa Cruz METRO's required contribution is based on pay-as-you-go financing requirements. For fiscal year 2011-12, Santa Cruz METRO contributed \$2,324,583 to the plan.

As of June 30, 2011, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$59,164,000, all of which was unfunded.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and probability about the occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the annual required contributions of Santa Cruz METRO are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, will present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Actuarial Methods and Assumptions

Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

The actuarial assumptions used for rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare inflation and interest were based on a standard set of actuarial assumptions modified as appropriate for Santa Cruz METRO. Turnover, mortality and retirement rates were taken from the CalPERS actuarial table for miscellaneous employees, which closely matches Santa Cruz METRO experience. Healthcare inflation rates are based on the general health care environment. Actual healthcare premiums through 2013 were used and then projected to increase in future years by 8.5% (8.9% for Medicare eligible premiums) in 2014, with the increases gradually declining until reaching 5% in 2021 (5% future premiums increases assumed for all years after 2012). The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over 30 years from June 30, 2008, with 26 years remaining as of June 30, 2012.

## NOTE 16 – SUBSEQUENT EVENTS

In September 2012, Santa Cruz METRO entered in to a contract with TRC Solutions, Inc., for construction management services for the Judy K. Souza Operations Facility component of the MetroBase Project in an amount not to exceed \$1,495,440.



# Attachment A

## NOTE 16 – SUBSEQUENT EVENTS (Continued)

In December 2012, Santa Cruz METRO entered into a contract with Lewis C. Nelson and Sons, Inc., in the amount of \$13,572,000 for the construction of the Judy K. Souza Operations Facility.

Subsequent events were evaluated by management through December 20, 2012, which is the date of issuance.

# Attachment A

REQUIRED SUPPLEMENTARY INFORMATION

7-3.a34

# Attachment A

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
DEFINED BENEFIT PENSION PLAN  
JUNE 30, 2012**

Supplementary information is intended to show the progress made towards funding benefit obligations. Required three-year supplemental information, available to date, for Santa Cruz METRO is as follows:

<u>Valuation Date</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
6/30/2008	\$ 97,329,553	\$ 85,056,437	\$ 12,273,116	87.4%	\$ 16,065,532	76.4%
6/30/2009	\$ 109,418,745	\$ 89,621,182	\$ 19,797,563	81.9%	\$ 16,397,024	120.7%
6/30/2010	\$ 115,194,294	\$ 93,813,512	\$ 21,380,782	81.4%	\$ 16,109,672	132.7%

# Attachment A

**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS  
JUNE 30, 2012**

Supplementary information is intended to show the progress made towards funding benefit obligations. Required three-year supplemental information, available to date, for Santa Cruz METRO is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
4/1/2008	\$ -	\$ 44,208,804	\$ 44,208,804	0.00%	\$ 16,065,532	275.18%
4/1/2010	\$ -	\$ 43,442,791	\$ 43,442,791	0.00%	\$ 16,109,672	269.67%
6/30/2011	\$ -	\$ 59,164,000	\$ 59,164,000	0.00%	\$ 15,925,000	371.52%

# Attachment A

SUPPLEMENTARY INFORMATION

7-3.a37

# Attachment A

## SANTA CRUZ METROPOLITAN TRANSIT DISTRICT STATEMENTS OF OPERATING EXPENSES FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Labor		
Operators' salaries and wages	\$ 7,124,710	\$ 7,333,267
Other salaries and wages	6,242,010	6,299,332
Overtime	1,997,538	1,983,559
	15,364,258	15,616,158
Fringe Benefits		
Absence with pay	2,951,594	3,074,137
Pension plans	2,664,532	2,156,777
Vision, medical, and dental plans	7,268,173	6,575,549
Workers' compensation insurance	1,311,380	1,042,111
Disability insurance	307,265	374,226
Other fringe benefits	198,651	200,858
Other postemployment benefits	3,189,417	2,269,704
	17,891,012	15,693,362
Services		
Accounting	77,560	74,742
Administrative and banking	275,529	224,273
Professional and technical services	496,404	411,457
Security	324,827	370,312
Outside repairs	817,411	951,714
Other services	140,309	136,524
	2,132,040	2,169,022
Materials and Supplies Consumed		
Fuels and lubricants	2,051,549	2,145,437
Tires and tubes	139,709	210,370
Vehicle parts	672,431	525,453
Other materials and supplies	314,611	226,905
	3,178,300	3,108,165
Utilities	472,076	472,499
Casualty and Liability Costs	1,096,512	572,416
Taxes and Licenses	41,987	45,873
Purchased Transportation Services		
Paratransit	260,687	203,713
Miscellaneous Expenses	185,703	154,670
Equipment and Facility Lease	231,780	297,817
Depreciation		
Property acquired with operator funds	288,640	390,392
Property acquired by federal, state, or TDA funds	6,153,463	5,897,622
	6,442,103	6,288,014
Total Operating Expenses	\$ 47,296,458	\$ 44,621,709

# Attachment A

OTHER SCHEDULES AND REPORTS

# Attachment A

## SANTA CRUZ METROPOLITAN TRANSIT DISTRICT SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Program Title	Federal CFDA No.	Pass-Through Grantor's Number	Total Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Programs:			
Federal Transit Administration (FTA)			
Cluster Defined by the Department of Transportation			
<b>Section 3/5309 Consolidation</b>			
SGR - CNG Bus Purchase	20.500*	CA-04-0185	\$ 4,771,973
Pacific Station - ROW Acquisition	20.500*	CA-03-0730	<u>11,612</u>
			<u>4,783,585</u>
<b>Section 9/5307</b>			
Operating Assistance	20.507*	CA-90-Y907	4,727,487
ARRA - PC Vans, Fareboxes, IT Equip	20.507*	CA-96-X030	<u>519,218</u>
			<u>5,246,705</u>
Other Programs			
<b>Section 18/5311-5317</b>			
Rural Operating Assistance - 5311	20.509	641166	156,312
<b>Section 18/5304</b>			
AMBAG Watsonville Transit Planning Study	20.515	WE 672	11,512
On-Board Transit Ridership Survey-CT Sub-award	20.515	N/A	<u>7,632</u>
			<u>19,144</u>
Total Expenditures of Federal Awards			<u><u>\$ 10,205,746</u></u>

\* Major federal financial assistance program.

See accompanying notes to schedule of expenditures of federal awards.



# Attachment A

## SANTA CRUZ METROPOLITAN TRANSIT DISTRICT NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

### **NOTE 1 – GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Santa Cruz Metropolitan Transit District (Santa Cruz METRO). Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other governmental agents, is included on the schedule.

### **NOTE 2 – BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Federal capital grant funds are used to purchase property, plant, and equipment. Federal grants receivable are included in capital and operating grants receivable, which also includes receivables from state and local grant sources.

# Attachment A

## SANTA CRUZ METROPOLITAN TRANSIT DISTRICT SUPPLEMENTAL REVENUE, EXPENSES, AND PERFORMANCE REPORT (BASED ON FEDERAL TRANSIT AUTHORITY (FTA) ACCOUNT GROUPING GUIDELINES)

	2012	2011	2010	2012 to 2011 % Change	2011 to 2010 % Change
<b>Revenues</b>					
Passenger Fares	\$ 8,772,949	\$ 8,616,639	\$ 8,427,944	1.8%	2.2%
Sales and Use Tax <sup>(1)</sup>	16,064,503	15,209,774	14,320,288	5.6%	6.2%
Non-Operating Revenues	586,628	602,537	569,113	-2.6%	5.9%
TDA	5,244,964	5,001,737	5,001,737	4.9%	0.0%
Federal Operating Assistance <sup>(2)</sup>	5,257,104	8,943,652	4,436,651	-41.2%	101.6%
<b>Total Revenues</b>	<b>\$ 35,926,148</b>	<b>\$ 38,374,339</b>	<b>\$ 32,755,733</b>	<b>-6.4%</b>	<b>17.2%</b>
<b>Expenses</b>					
Route Operation	24,399,195	\$ 25,095,284	\$ 25,013,598	-2.8%	0.3%
Vehicle Maintenance	5,130,727	4,939,279	5,084,431	3.9%	-2.9%
Facilities Maintenance	1,886,947	1,884,113	1,835,936	0.2%	2.6%
General Administration <sup>(3)</sup>	9,437,482	6,415,019	5,810,294	47.1%	10.4%
<b>Total Expenses</b> (excluding depreciation)	<b>\$ 40,854,351</b>	<b>\$ 38,333,695</b>	<b>\$ 37,744,259</b>	<b>6.6%</b>	<b>1.6%</b>
<b>Performance Indicators</b>					
Total Passengers <sup>(4)</sup>	5,463,380	5,871,671	5,934,035	-7.0%	-1.1%
Revenue Hours	273,212	282,775	282,381	-3.4%	0.1%
Revenue Miles	3,919,424	4,121,744	4,259,386	-4.9%	-3.2%
Farebox Recovery Ratio <sup>(5)</sup>	21.5%	22.5%	22.3%	-4.4%	0.9%
Cost/Passenger <sup>(6)</sup>	\$ 7.48	\$ 6.53	\$ 6.36	14.5%	2.7%
Cost/Hour <sup>(7)</sup>	\$ 149.53	\$ 135.56	\$ 133.66	10.3%	1.4%
Cost/Mile <sup>(8)</sup>	\$ 10.42	\$ 9.30	\$ 8.86	12.0%	5.0%
Full Time Equivalent Employees	292	281	303	3.9%	-7.3%
Active Fleet - Fixed Route <sup>(9)</sup>	120	110	112	9.1%	-1.8%
Active Fleet - Paratransit	47	45	37	4.4%	21.6%

<sup>(1)</sup> Sales and Use Tax Revenues have increased from prior year due to increased consumer spending as a result of increased consumer confidence and an improving economy.

<sup>(2)</sup> Federal Operating Assistance decreased in fiscal year 2012 due to a change in allocation of STA funds from the operating budget to the capital budget to fund the Judy K. Souza Operations Facility and the expiration of the Alternative Fuel Tax Rebate program in December 2011.

<sup>(3)</sup> General Administration expenses increased primarily due to the treatment of the Governmental Accounting Standards Board (GASB) Statement No. 45 Other Postemployment Benefits (OPEB) annual liability entry coupled with increased medical and retirement costs, workers' compensation insurance claims, and legal settlements.

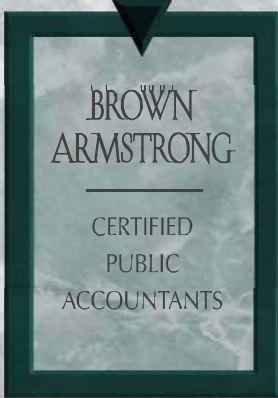
<sup>(4)</sup> Total passengers (fixed route and Paracruz) decreased by 7.0% due to a service reduction that was implemented on September 15, 2011, which resulted in 8.2% less service from September to late March.

<sup>(5)</sup> Farebox Recovery Ratio is a standard transit performance indicator that is calculated by dividing passenger fares by total operating expenses and does not include depreciation.

# Attachment A

- (6) Cost/Passenger is calculated by dividing total passengers by total (operating) expenses. Total expenses increased from prior year due to the GASB Statement No. 45 OPEB annual entry and increases in medical, retirement, workers' compensation, and legal settlement costs, while passenger count decreased as a result of the service reduction implemented in September 2011.
- (7) Cost/Hour is calculated by dividing total (operating) expenses by revenue hours. Total expenses increased over prior year due to the GASB Statement No. 45 OPEB annual entry and increases in medical, retirement, workers' compensation, and legal settlement costs, while revenue hours decreased as a result of the service reduction implemented in September 2011.
- (8) Cost/Mile is calculated by dividing total (operating) expenses by revenue miles. The increase from prior year is due to the GASB Statement No. 45 OPEB annual entry and increased medical, retirement, workers' compensation, and legal settlement costs, coupled with the drop in revenue miles resulting from service reductions implemented in September 2011.
- (9) The number of vehicles in the Active Fleet – Fixed-Route increased over prior year due to the purchase of eleven (11) 40-foot New Flyer compressed natural gas (CNG) fixed route buses that were purchased with capital grant funds from the award of an FTA State of Good Repair (SGR) grant.

# Attachment A



## BROWN ARMSTRONG

*Certified Public Accountants*

### **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

#### **MAIN OFFICE**

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We have audited the basic financial statements of the Santa Cruz Metropolitan Transit District as of and for the year ended June 30, 2012, and have issued our report thereon dated December 20, 2012. 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

Management of the Santa Cruz Metropolitan Transit District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Santa Cruz Metropolitan Transit District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Santa Cruz Metropolitan Transit District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Santa Cruz Metropolitan Transit 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.



REGISTERED with the Public Company  
Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants


# Attachment A

## Compliance and Other Matters

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

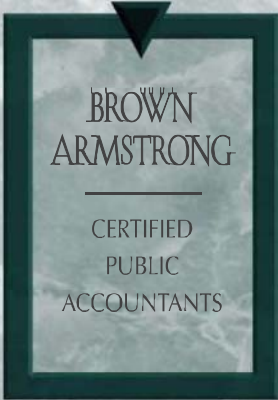
This report is intended solely for the information and use of management, the Board of Directors, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and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

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California  
December 20, 2012

# Attachment A



## BROWN ARMSTRONG

*Certified Public Accountants*

### **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

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#### Compliance

We have audited the Santa Cruz Metropolitan Transit District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Santa Cruz Metropolitan Transit District's major federal programs for the year ended June 30, 2012. The Santa Cruz 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 Santa Cruz Metropolitan Transit District's management. Our responsibility is to express an opinion on the Santa Cruz Metropolitan Transit 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 Santa Cruz Metropolitan Transit 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 of the Santa Cruz Metropolitan Transit District's compliance with those requirements.

In our opinion, the Santa Cruz Metropolitan Transit District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

#### Internal Control Over Compliance

Management of the Santa Cruz Metropolitan Transit 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 Santa Cruz Metropolitan Transit District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and



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# Attachment A

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 Santa Cruz Metropolitan Transit 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 internal control over compliance 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 compliance that might be deficiencies, 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 Santa Cruz Metropolitan Transit District as of and for the year ended June 30, 2012, and have issued our report thereon dated December 20, 2012. Our audit was performed for the purpose of forming our opinion on the financial statements of the Santa Cruz Metropolitan Transit District. 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. 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.

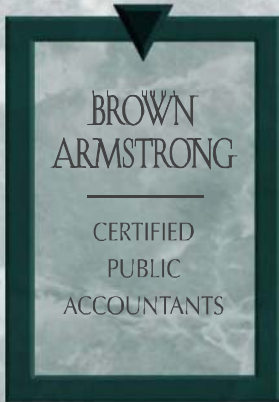
This report is intended for the information of management, the Board of Directors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution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

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
December 20, 2012

# Attachment A



## BROWN ARMSTRONG

*Certified Public Accountants*

### **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH THE STATUTES, RULES, AND REGULATIONS OF THE CALIFORNIA TRANSPORTATION DEVELOPMENT ACT AND THE ALLOCATION INSTRUCTIONS AND RESOLUTIONS OF THE TRANSPORTATION COMMISSION**

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

**MAIN OFFICE**  
**4200 TRUXTUN AVENUE**

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SUITE 237  
STOCKTON, CA 95207  
TEL 209.451.4833

We have audited the financial statements of the Santa Cruz Metropolitan Transit District as of and for the year ended June 30, 2012, and have issued our report thereon dated December 20, 2012. 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.

As part of obtaining reasonable assurance about whether the Santa Cruz Metropolitan Transit District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests to determine that allocations made and expenditures paid by the Santa Cruz Metropolitan Transit District were made in accordance with the allocation instructions and resolutions of the Santa Cruz Metropolitan Transit District and in conformance with the California Transportation Development Act. Specifically, we performed each of the specific tasks identified in the California Code of Regulations Sections 6666 and 6667 that are applicable to the Santa Cruz Metropolitan Transit District. In connection with our audit, nothing came to our attention that caused us to believe the Santa Cruz Metropolitan Transit District failed to comply with the Statutes, Rules, and Regulations of the California Transportation Development Act and the allocation instructions and resolutions of the Transportation Commission. 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.

Also as part of our audit, 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 statute as the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators 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.



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# Attachment A

During the fiscal year ended June 30, 2012, Santa Cruz METRO received \$13,501,970 from the State's PTMISEA funds for the purpose of construction of the Consolidated MetroBase Project. As of June 30, 2012, PTMISEA interest received and funds expended were verified in the course of our audit as follows:

<b>Schedule of PTMISEA Bond 1B Funds For the Year Ended June 30, 2012</b>	
<b>Description</b>	<b>Amount</b>
<b>Balance – beginning of the year</b>	\$ 430,416
<b>Proceeds received:</b>	
PTMISEA receipts	13,501,970
Interest earned	26,866
<b>Expenses incurred:</b>	
MetroBase Construction	(463,448)
<b>Balance – end of year</b>	<u>\$ 13,495,804</u>

This report is intended solely for the information and use of management, the California Department of Transportation, and the State Controller's Office and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
December 20, 2012

# Attachment A

## FINDINGS AND QUESTIONED COSTS SECTION

# Attachment A

## SANTA CRUZ METROPOLITAN TRANSIT DISTRICT SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2012

**I. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified?	Yes	<input checked="" type="checkbox"/>	No
Significant deficiencies identified?	Yes	<input checked="" type="checkbox"/>	None reported
Noncompliance material to financial statements noted?	Yes	<input checked="" type="checkbox"/>	No

**Federal Awards**

Internal control over major federal programs:

Material weakness identified?	Yes	<input checked="" type="checkbox"/>	No
Reportable conditions identified that are not considered to be material weaknesses?	Yes	<input checked="" type="checkbox"/>	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 OMB Circular A-133, Section .510(a)?	Yes	<input checked="" type="checkbox"/>	No
---	-----	-------------------------------------	----

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Clusters</u>
20.500	Federal Transit Capital Investment Grants – Section 3
20.507	Federal Transit Formula Grants – Section 9

Dollar threshold used to distinguish type A and B programs: \$306,172

Auditee qualified as low risk auditee?	<input checked="" type="checkbox"/>	Yes	No
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# Attachment A

II. Findings Relating to Financial Statements Required Under Generally Accepted Government Auditing Standards

None.

III. Federal Award Findings and Questioned Costs

None.

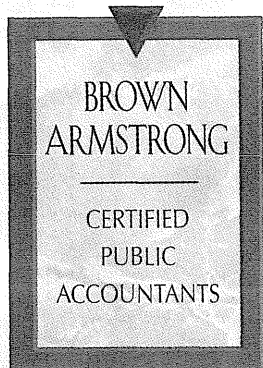
IV. State Award Findings and Questioned Costs

None.

V. A Summary of Prior Audit (all June 30, 2011) Findings and Current Year Status Follows

None.

# Attachment B



## BROWN ARMSTRONG

*Certified Public Accountants*

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

We have audited the financial statements of the Santa Cruz Metropolitan Transit District (Santa Cruz METRO) for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 25, 2012. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Santa Cruz METRO are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by Santa Cruz METRO during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the accrued claims is based on management's past experience and expected useful life. We evaluated the key factors and assumptions used to develop the accrued claims in determining that it is reasonable in relation to the financial statements taken as a whole.

Actuarial Assumption and Methods Underlying Other Postemployment Benefits (OPEB) Liability. Management's acceptance of various actuarial assumptions and methods underlying the calculation of Santa Cruz METRO's OPEB liability is based on the actuarial valuation prepared by Total Compensation Systems, Inc.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosures of the Annual OPEB Cost and Net OPEB Obligation in Note 16 and Unpaid Claims in Note 13 to the financial statements are based on actuarial assumptions adopted by management.

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Certified Public Accountants

# 7-3.b1

# Attachment B

## *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

## *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 20, 2012.

## *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Santa Cruz METRO's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Santa Cruz METRO's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## *Other Information in Documents Containing Audited Financial Statements*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

\*\*\*\*\*

This information is intended solely for the use of Board of Directors and management of Santa Cruz METRO and is not intended to be and should not be used by anyone other than these specified parties.

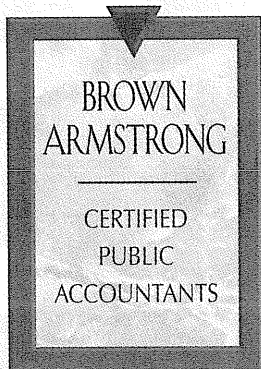
BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
December 20, 2012

**7-3.b2**

# Attachment C



BROWN ARMSTRONG

*Certified Public Accountants*

## AGREED UPON CONDITIONS DESIGNED TO INCREASE EFFICIENCY, INTERNAL CONTROLS AND/OR FINANCIAL REPORTING

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

### MAIN OFFICE

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TEL 209.451.4833

We have audited the basic financial statements of the Santa Cruz Metropolitan Transit District (Santa Cruz METRO) for the year ended June 30, 2012, and have issued our report thereon dated December 20, 2012. In planning and performing our audit of the basic financial statements of Santa Cruz METRO, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We noted no agreed upon conditions as a result of our audit procedures. In addition, the agreed upon condition for the prior year was resolved.

### Current Year Condition and Recommendation

None.

### Current Year Disposition of Prior Year Condition and Recommendation

#### Condition 1

During our testing of Santa Cruz METRO's journal entries, we were unable to determine if the journal entries were being properly reviewed and approved by the appropriate person of authority.

Santa Cruz METRO reviews the financial statements before they are presented to the Board of Directors, which is a culmination of the journal entries made, but does not indicate whether the individual entries have been reviewed or approved.

#### Recommendation

We recommend that the appropriate person of authority indicate that they have reviewed and approved the journal entries made by staff on the supporting documentation we receive as part of journal entry testing.



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Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants

7-3.c1

# Attachment C

## Management Response

Management agrees with the recommendation and, from the date of recommendation, has begun initialing the journal entries made on the appropriate journal entry support to indicate that they have been reviewed.

## Current Year Status

Resolved.

\*\*\*\*\*

This information is intended solely for the use of the Board of Directors and management of Santa Cruz METRO and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
December 20, 2012



# SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

**DATE:** February 8, 2013  
**TO:** Board of Directors  
**FROM:** Frank L. Cheng, Project Manager & I.T. Manager  
**SUBJECT: CONSIDERATION OF METROBASE STATUS REPORT**

## I. RECOMMENDED ACTION

**That the Board of Directors accept and file the MetroBase Status Report.**

## II. SUMMARY OF ISSUES

- Judy K. Souza Operations Building
  - On December 21, 2012, the Board of Directors approved a contract with Lewis C. Nelson (LCN) for the construction of the Judy K. Souza Operations Building.
  - On January 14, 2013, Notice-to-Proceed commenced for LCN.
  - On January 28, 2013, the Board of Directors approved a lease with Kim Family Enterprises (SC), LLC for property located at 165 Du Bois Street, Santa Cruz, CA for the Operations Building Temporary Relocation for the office staff.
  - On February 8, 2013, the METRO staff is presenting the Board of Directors a lease with Wave Crest Development, Inc, 3D Family Limited Partnership, and Lawrence Michaels Family Limited Partnership for property located at 135 Du Bois Street, Santa Cruz, CA for the Operations Building Temporary Relocation for the bus parking.
  - On February 8, 2013, the METRO staff is presenting the Board of Directors a contract amendment with RNL Design, Inc. for engineering services and specialty inspections for the Operations Building.
  - On February 8, 2013, the METRO staff is presenting the Board of Directors a contract amendment with TRC Solutions, Inc. for pre-stressed pile testing and inspections for the Operations Building.
- Second LNG tank Installation Project
  - On February 8, 2013, the METRO staff is presenting the Board of Directors a contract amendment with United Industries Group, Inc. to extend contract for three-month period.

### **III. DISCUSSION**

#### **Judy K. Souza Operations Building**

On December 21, 2012, the Board of Directors approved a contract with Lewis C. Nelson (LCN) for the Judy K. Souza Operations Building. On January 14, 2013, Notice-to-Proceed commenced for LCN. This project consists of five phases that involve sharing the site with METRO's current Operations Building located at 1200 River Street, Santa Cruz, CA. Every day, METRO is on the site dispatching buses. Safety concerns arise from splitting the site for sharing with METRO's daily operation and the new construction.

On January 28, 2013, the Board of Directors approved a lease with Kim Family Enterprises (SC), LLC for property located at 165 Du Bois Street, Santa Cruz, CA for the Operations Building Temporary Relocation for the office staff.

On February 8, 2013, the METRO staff is presenting the Board of Directors a lease with Wave Crest Development, Inc, 3D Family Limited Partnership, and Lawrence Michaels Family Limited Partnership for property located at 135 Du Bois Street, Santa Cruz, CA for the Operations Building Temporary Relocation for the bus parking.

On February 8, 2013, the METRO staff is presenting the Board of Directors a contract amendment with RNL Design, Inc. for engineering services and specialty inspections for the Operations Building.

On February 8, 2013, the METRO staff is presenting the Board of Directors a contract amendment with TRC Solutions, Inc. for pre-stressed pile testing and inspections for the Operations Building.

#### **Second LNG tank Installation Project**

GP Strategies Corporation (GP Strategies) is the contractor to install the second LNG tank that is being provided by United Industries Group, Inc.(United Industries). Approval process has been difficult with United Industries. The 15,000 gallon LNG tank is estimated to be constructed by end of February pending manufacturer queue status. GP Strategies have been patient and continuing to work on other part of their scope of work.

On February 8, 2013, the METRO staff is presenting the Board of Directors a contract amendment with United Industries to extend contract for three-month period.

#### **IV. FINANCIAL CONSIDERATIONS**

Funds for the Judy K. Souza Operations Building component and the Second LNG tank Installation component of the MetroBase Project are available with the funds METRO has secured for the Project.

#### **V. ATTACHMENTS**

**Attachment A:** None

Prepared By: Frank L. Cheng, Project Manager & I.T. Manager  
Date Prepared: February 2, 2013

# SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

**DATE:** February 8, 2013

**TO:** Board of Directors

**FROM:** Erron Alvey, Purchasing Agent

**SUBJECT: CONSIDERATION OF AUTHORIZING THE GENERAL MANAGER TO EXECUTE A CONTRACT AMENDMENT WITH UNITED INDUSTRIES GROUP, INC. TO EXTEND THE CONTRACT FOR A THREE-MONTH PERIOD**

## I. RECOMMENDED ACTION

**Authorize the General Manager to execute a contract amendment with United Industries Group, Inc. to extend the contract for a three-month period.**

## II. SUMMARY OF ISSUES

- Santa Cruz METRO let a one-year contract for purchase and delivery of a 2<sup>nd</sup> LNG storage tank.
- This contract is set to expire before delivery of the tank has been made.
- This contract was established on March 1, 2012 and will expire on February 28, 2013.
- United Industries Group, Inc. has agreed to a three-month extension under the same terms and conditions.
- The contract terms and conditions must be in full force and effect until satisfactory delivery of the goods ordered, therefore, a contract amendment with only a time extension is recommended.

## III. DISCUSSION

Santa Cruz METRO has a contract with United Industries Group, Inc. for purchase and delivery of one 15,000 gallon, vertical LNG storage tank for expansion of the fueling station's fuel storage capacity. Due to delays caused by engineering submittals requiring approval, and a long lead time in production, the original contract term of one year will expire before the tank is completely fabricated and delivered. All contract terms and conditions must be in full force and effect until satisfactory delivery of the goods ordered occurs.

Staff recommends that the Board of Directors authorize the General Manager to execute a contract amendment on behalf of Santa Cruz METRO. Frank Cheng, Project Manager and IT Manager, will continue to serve as the Contract Administrator and will ensure contract compliance.

**IV. FINANCIAL CONSIDERATIONS**

No additional funds are required at this time.

**V. ATTACHMENTS**

**Attachment A:** Letter to extend from United Industries Group, Inc.

**Attachment B:** Contract Amendment with United Industries Group, Inc.

# Attachment A



**UNITED INDUSTRIES GROUP, INC.**

**Date:** Jan. 23, 2013

**TO:** Mr. Frank Cheng  
IT and Project Manager  
Santa Cruz METRO  
110 Vernon Street  
Santa Cruz, CA 95060  
Ph: (831) 426-0199

**RE:** Procurement of One (1) 15,000 Gallon Vertical LNG Fuel Storage Tank (12-20)

**Subject:** Contract Extension

Dear Mr. Cheng,

Following your letter dated January 18, 2013 we would like to extend the contract for an additional 3-months through May 31, 2013.

Thanks and Regards.

Art Yanovskiy  
Project Manager  
UNITED INDUSTRIES GROUP, INC  
Email: [ay@unitedind.com](mailto:ay@unitedind.com)

Mailing Address | P.O. BOX 8009 | NEWPORT BEACH | CALIFORNIA | 92658 | USA  
Physical Address | 11 RANCHO CIRCLE | LAKE FOREST | CALIFORNIA | 92630 | USA  
Phone | 949.759.3200 | Fax | 949.759.3425 | [www.Unitedind.com](http://www.Unitedind.com)

**7-5.a1**

# Attachment B

## **SANTA CRUZ METROPOLITAN TRANSIT DISTRICT FIRST AMENDMENT TO CONTRACT NO. 12-20 FOR PROCUREMENT OF ONE 15,000 GALLON VERTICAL LNG FUEL STORAGE TANK**

This First Amendment to Contract No. 12-20 for Procurement of One 15,000 Gallon Vertical LNG Fuel Storage Tank is made effective March 1, 2013 between the Santa Cruz Metropolitan Transit District, a political subdivision of the State of California (“Santa Cruz METRO”), and United Industries Group, Inc. (“Contractor”).

### I. RECITALS

- 1.1 Santa Cruz METRO and Contractor entered into a Contract for Procurement of One 15,000 Gallon Vertical LNG Fuel Storage Tank (“Contract”) on March 1, 2012.
- 1.2 The Contract allows for the extension upon mutual written consent.

Therefore, Santa Cruz METRO and Contractor amend the Contract as follows:

### II. TERM

- 2.1 Article 3.02 is replaced in its entirety by the following:

This Contract shall continue through May 31, 2013. This Contract may be mutually extended by agreement of both parties.

### III. REMAINING TERMS AND CONDITIONS

- 3.1 All other provisions of the Contract that are not affected by this amendment shall remain unchanged and in full force and effect.

### IV. AUTHORITY

- 4.1 Each party has full power to enter into and perform this First Amendment to the Contract and the person signing this First Amendment on behalf of each has been properly authorized and empowered to enter into it. Each party further acknowledges that it has read this First Amendment to the Contract, understands it, and agrees to be bound by it.

SIGNATURES ON NEXT PAGE

Signed on \_\_\_\_\_

Santa Cruz METRO  
SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

---

Leslie R. White  
General Manager

CONTRACTOR – UNITED INDUSTRIES GROUP, INC.

By \_\_\_\_\_  
M. Mulvaney  
Vice President

Approved as to Form:

---

Leslyn Syren  
Santa Cruz METRO Counsel



# SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

**DATE:** February 8, 2013

**TO:** Board of Directors

**FROM:** Tove Beatty, Grants/Legislative Analyst

**SUBJECT: ACCEPT AND FILE REPORT ON THE STATE OF CALIFORNIA BUDGETS AS PROPOSED AND THEIR IMPACTS ON TRANSIT FUNDING, SPECIFICALLY STATE TRANSIT ASSISTANCE (STA) FUNDING FOR FY13 AND FY14**

## I. RECOMMENDED ACTION

**That the Board of Directors accept and file this report on the State of California FY13 and FY14 budgets as proposed and their impacts on transit funding, specifically State Transit Assistance (STA) funding for FY13 and FY14.**

## II. SUMMARY OF ISSUES

- Santa Cruz METRO receives State Transit Assistance (STA) funding bi-annually in two allocations through the Santa Cruz County Regional Transportation Commission (SCCRTC).
- STA funding is based on the sales tax on diesel fuel, following the legislative “gas tax swap” impacting transit funding in 2012, and is not based on a specific state budget line item.
- The Governor released the FY 2013-2014 budget on January 10, 2013, which projects \$415 million available for STA in FY13 and \$391 million in FY14. These numbers represent 12% and 17% reductions respectively from previous estimates.
- Santa Cruz METRO staff estimates that this represents budget shortfalls of \$377,573 in FY13 (from an estimated \$3,301,004 to \$2,923,431) and \$169,066 in FY14 (from an estimated \$2,923,431 to \$2,754,365).
- Santa Cruz METRO will continue to monitor and report on STA funding, as this is a volatile funding stream subject to unpredictable outside variables.

## III. DISCUSSION

Santa Cruz METRO receives State Transit Assistance (STA) funding bi-annually in two allocations passed through the Santa Cruz County Regional Transportation Commission (SCCRTC). STA funding is usually grouped with TDA (Transportation Development Act) funds on the SCCRTC agenda when dispersed to Santa Cruz METRO, but is an individual funding stream. STA funding is based on the sales tax on diesel fuel, following the legislative “gas tax swap” impacting transit funding in 2012, and is not based on a specific state budget line item.

The Governor released the FY 2013-2014 budget on January 10, 2013, which projects \$415 million available for STA in FY13 and \$391 million in FY14. These numbers represent 12% and 17% reductions respectively from previous estimates. The original estimate for FY13 was \$475 million and, for FY14, \$471 million.

Santa Cruz METRO staff estimates that this represents budget shortfalls of \$377,573 in FY13 (from an estimated \$3,301,004 to \$2,923,431) and \$169,066 in FY14 (from an estimated \$2,923,431 to \$2,754,365). Santa Cruz METRO will continue to monitor and report on STA funding, as this is a volatile funding stream subject to unpredictable outside variables, such as the sale of diesel fuel in a state which is attempting to reduce such sales and convert to other, cleaner fuels, as well as the pursuing of other, new and reliable funding streams for transit, such as new bond issues to supplant the sunseting Proposition 1B funds.

#### **IV. FINANCIAL CONSIDERATIONS**

If these budget numbers hold, Santa Cruz METRO's annual budget for STA in FY13 will be \$377,573 less than anticipated; and for FY14, \$160,066 less than anticipated. Santa Cruz METRO staff will continue to monitor and report.

#### **V. ATTACHMENTS**

**Attachment A:** California Transit Association's Summary of the Governor's Budget, 1/10/13.



**SHAW/YODER/ANTWIH, inc.**  
LEGISLATIVE ADVOCACY • ASSOCIATION MANAGEMENT

January 10, 2013

TO: Board Members, Santa Cruz Metropolitan Transit District  
FROM: Gus Khouri, Legislative Advocate  
Shaw / Yoder / Antwih, Inc.

**RE: STATE LEGISLATIVE UPDATE- GOVERNOR'S PROPOSED 2013-14  
STATE BUDGET**

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Today, Governor Brown released his FY 2013-14 State Budget. He emphasizes that significant progress in trimming down the state's chronic budget deficit (\$26.6 billion shortfall in FY 2011-12, \$20 billion in FY 12-13) has been made by making spending cuts, primarily in corrections, health and human services, and education. As a result, the FY 13-14 budget does not project a deficit. Overall, General Fund spending is down from its peak of \$103 billion in 2007-08 to \$93 billion in 2012-13, a decrease of \$10 billion, or 10 percent. As a share of the economy, General Fund spending in 2011-12 and 2012-13 remains at its lowest level since 1972-73.

The Governor emphasized that the State must live within its means. He identified four major variables for the budget going forward: actions on the federal deficit, the uncertain economic recovery, the federal government and/or the courts blocking actions, and potential increases in health care costs.

Regarding the "wall of debt," the Governor noted that in 2011 it was pegged at \$35 billion and that it remains a significant challenge. The Governor is proposing to spend \$4.2 billion in his budget to pay down existing state debt. Furthermore, the budget document notes the State's unfunded retirement obligations.

The passage of Proposition 30 on last November's ballot helped avert severe cuts to education, health and human service and public safety programs.

**Impact on Transportation**

The Transportation Agency is responsible for addressing mobility, safety, and air quality issues as they relate to transportation. Key priorities include developing and integrating the high-speed rail project into California's existing transportation system and supporting regional agencies in achieving the greenhouse gas emission reductions and environmental sustainability objectives required by state law.

The Agency consists of the following six state entities responsible for administering programs that support the state's transportation system:

- Department of Transportation
- California Transportation Commission
- High-Speed Rail Authority
- Department of Motor Vehicles
- California Highway Patrol

# ATTACHMENT A

· Board of Pilot Commissioners

The Office of Traffic Safety operates within the Office of the Secretary for Transportation. The Budget includes total funding of \$21.1 billion (\$0.2 billion General Fund and \$20.9 billion other funds) for all programs administered within the Agency.

The Agency, established as part of the Governor's 2012 Reorganization Plan, becomes operational on July 1, 2013.

The Governor makes a reference to California Transportation Commission's "2011 Statewide Transportation Needs Assessment" which identifies \$538.1 billion in total infrastructure needs, including substantial local streets & roads and local mass transit needs, in addition to highway and intercity rail needs over the next decade.

Over the past decade, the voters have approved almost \$30 billion of general obligation bonds for transportation purposes, including \$19.9 billion for Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, and \$9.9 billion for Proposition 1A, the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century. As a result, approximately 13 percent of annual state transportation revenues will continue to be dedicated to offsetting debt service costs. These debt service costs are expected to total over \$1 billion in 2013-14 and are projected to grow in future years, significantly exceeding the amount of existing transportation funds legally available to offset these costs and therefore creating General Fund expenses.

Beginning in the spring of 2013, the Agency will convene a workgroup consisting of state and local transportation stakeholders to refine the transportation infrastructure needs assessment, explore long-term, pay-as-you-go funding options, and evaluate the most appropriate level of government to deliver high-priority investments to meet the state's infrastructure needs.

The Budget also reflects changes to the Local Assistance and Planning Programs within Caltrans, including the consolidation of five programs into a single Active Transportation Program which will simplify and enhance funding for pedestrian and bicycle projects.

## **Impact on Transit Funding**

The Governor projects that the State Transit Assistance program will be at approximately \$391 million for FY 13-14, and \$415 million for FY 12-13. If accurate, this would represent a 12% reduction from last Fall's number of \$468 million for FY 12-13 and 17% drop in comparison to the budget year number. This number is subject to change however as the program no longer relies on a budget-line item but rather on sales tax receipts associated with the consumption of diesel fuel.

The budget also proposes \$479,717,000 in funding for the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA), which serves as the sole source of funding for transit capital projects and rolling stock purchases. It uncertain however whether this is a carryover balance of the existing appropriation authority from subsequent fiscal years. To date, approximately \$1.8

# ATTACHMENT A

billion of the \$2.8 billion that has been appropriated by the legislature has been allocated to program recipients.

The intercity rail program is projected to receive \$130 million.

We will follow up with the Department of Finance to verify the estimates.

## **Proposition 1A Funding**

SB 1029 (Leno) [Chapter 152, Statutes of 2012], appropriated The 2012 Budget Act appropriated approximately \$8 billion for the high-speed rail project for the following purposes:

- \$5.8 billion for the first phase of the Initial Operating Section from Madera to Bakersfield.
- \$1.1 billion for early improvement projects to upgrade existing rail lines in Northern and Southern California, which will lay the foundation for future high-speed rail service as it expands into these areas.
- \$819.3 million for connectivity projects to enhance local transit and intercity rail systems that will ultimately link to the future high speed rail system. The CTC allocated funding during the Fall to those agencies that made a request.

Since the enactment of the Budget Act, significant progress on the project has been made:

In September, the Federal Railroad Administration approved the necessary environmental impact assessments for the Merced to Fresno alignment.

- The public comment period for the draft environmental assessments for the Fresno to Bakersfield alignment concluded in October.
- The Authority has started to solicit bids from private contractors to begin the right-of-way land acquisition phase of the project.

The Authority is continuing to identify early “bookend” investments that will generate immediate benefits and, through blended service, enhance future high-speed rail ridership. Projects currently being evaluated include the electrification of the Caltrain corridor in Northern California and regional rail improvement projects, such as grade separations, in Southern California. Final selection of specific projects and lead agencies will be completed by the end of the current fiscal year. Initial construction work is scheduled to begin in the Central Valley during the summer of 2013.

As noted in the Authority’s revised 2012 Business Plan, additional funding will be necessary to complete the Initial Operating Section from Merced to the San Fernando Valley. Cap and Trade funds will be available as a fiscal backstop.

# ATTACHMENT A

## **Cap and Trade**

The Budget acknowledges that transportation is the single largest contributor to GHGs in California (38 percent), and reducing transportation emissions should be a top priority (including mass transit, high speed rail, electrification of heavy duty and light duty vehicles, sustainable communities, and electrification and energy projects that complement high speed rail). The Budget recognizes that the first Cap and Trade auction resulted in \$55.8 million in proceeds to the state (two more auctions will occur on February 19, 2013 and May 16, 2013); therefore the Budget only addresses the expenditure of auction proceeds of \$200 million in 2012-13 and \$400 million in 2013-14. Total revenues from the auctions may exceed these amounts.

# SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

**DATE:** February 8, 2013

**TO:** Board of Directors

**FROM:** Leslie R. White, General Manager  
Leslyn K. Syren, District Counsel

**SUBJECT: CONSIDERATION OF ADOPTION OF A RESOLUTION ESTABLISHING THE MEETING TIMES OF THE BOARD OF DIRECTORS AS 8:00AM FOR THE PERIOD OF FEBRUARY 22, 2013 THROUGH MAY 24, 2013.**

## I. RECOMMENDED ACTION

**That the Board of Directors adopt a Resolution establishing the meeting times and locations for the Board for the period February 22, 2013 through May 24, 2013.**

## II. SUMMARY OF ISSUES

- On January 11, 2013 the METRO Board of Directors adopted Resolution 69-2-1 amending the Bylaws to allow the Board to establish the times and locations where it would meet by Resolution rather than amending the Bylaws each time that there was a change.
- On January 25, 2013 the Board of Directors requested that the General Manager prepare a Resolution establishing the meeting times at 8:00AM for the period of February 22, 2103 through May 24, 2013. It will be necessary for the Board of Directors to adopt a subsequent Resolution establishing the meeting times and locations for the period of time following May 24, 2013.
- Attached to this Staff Report please find a proposed Resolution that would modify the meeting times in accordance with the direction provid3d by the Board of Directors.
- Staff recommends that the Board of Directors adopt the Resolution regarding meeting times and locations attached to this Staff Report.

## III. DISCUSSION

There was a request in January 2013 from some of the Members of the Board of Directors to discuss the issue of the meeting times of the Board and potential conflicts. At that time the meeting times of the Board were contained in the Bylaws of the Board and thus a formal Bylaws Amendment was required each time that the meeting times were altered. On January 11, 2013 the Board of Directors modified the Bylaws to provide the Board the authority to modify the meeting times by Resolution. The Board directed the General Manager to provide a Resolution that could be considered at the February 8, 2013 meeting of the Board establishing the meeting time of 8:00AM for the Board for the period of February 22, 2013 through May 24, 2013.

The District Counsel has prepared the Resolution attached to this Staff Report that would establish the meeting times of the Board of Directors as 8:00AM for the period of February 22, 2013 through May 24, 2013. Prior to the conclusion of the meeting on May 24, 2013 it will be necessary for the Board of Directors to adopt a Resolution establishing meeting times for subsequent meeting.

Staff recommends adoption of the Resolution attached to the Staff Report.

#### **IV. FINANCIAL CONSIDERATIONS**

The adoption of a modification of meeting times should not have an impact on the METRO Capital or Operating Budgets.

#### **V. ATTACHMENTS**

**Attachment A:** Resolution Regarding Meeting Times of the Board of Directors



BEFORE THE BOARD OF DIRECTORS OF THE  
SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

Resolution No.13-02-01  
On the Motion of Director:  
Duly Seconded by Director:  
The Following Resolution is Adopted:

**A RESOLUTION OF THE SANTA CRUZ METROPOLITAN TRANSIT DISTRICT  
BOARD OF DIRECTORS ESTABLISHING THE TIME OF MEETINGS  
OF THE BOARD**

**WHEREAS**, on or about January 11, 2013, the Santa Cruz Metropolitan Transit District (METRO) adopted Resolution No. 69-2-1, amending the Bylaws of the Santa Cruz METRO Board of Directors; and

**WHEREAS**, on January 25, 2013, the Santa Cruz METRO Board of Directors directed the General Manager to prepare for adoption a Resolution, pursuant to Paragraph 1.01 (a) of the Bylaws, establishing the time of the Board meetings for its meetings from February 22, 2013 to May 24, 2013; and

**WHEREAS**, the Santa Cruz METRO Board of Directors may establish its meeting dates and times by Resolution, and

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SANTA CRUZ METROPOLITAN TRANSIT DISTRICT, that the following schedule for its meetings shall be as follows:**

<b>February 22, 2013</b>	<b>8:00a.m.</b>	<b>Watsonville City Council Chambers</b>
<b>March 8, 2013</b>	<b>8:00a.m.</b>	<b>METRO Administrative Offices</b>
<b>March 22, 2013</b>	<b>8:00a.m.</b>	<b>Santa Cruz City Council Chambers</b>
<b>April 12, 2013</b>	<b>8:00a.m.</b>	<b>METRO Administrative Offices</b>
<b>April 26, 2013</b>	<b>8:00a.m.</b>	<b>Watsonville City Council Chambers</b>
<b>May 10, 2013</b>	<b>8:00a.m.</b>	<b>METRO Administrative Offices</b>
<b>May 24, 2013</b>	<b>8:00a.m.</b>	<b>Capitola City Council Chambers</b>

**PASSED AND ADOPTED** by the Board of Directors of the Santa Cruz Metropolitan

Transit District on February 8, 2013, by the following vote:

**AYES:** Directors -

**NOES:** Directors -

**ABSTAIN:** Directors -

**ABSENT:** Directors -

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DANIEL DODGE  
Board Chair

ATTEST:

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LESLIE R. WHITE  
General Manager

APPROVED AS TO FORM:

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LESLYN K. SYREN  
District Counsel

# SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

**DATE:** February 8, 2013

**TO:** Board of Directors

**FROM:** Frank L. Cheng, Project Manager & I.T. Manager

**SUBJECT: CONSIDERATION OF AUTHORIZING THE GENERAL MANAGER TO EXECUTE A LEASE AGREEMENT WITH WAVE CREST DEVELOPMENT, INC, 3D FAMILY LIMITED PARTNERSHIP, AND LAWRENCE MICHAELS FAMILY LIMITED PARTNERSHIP FOR PROPERTY LOCATED AT 135 DU BOIS STREET, SANTA CRUZ, CA FOR THE JUDY K. SOUZA OPERATIONS BUILDING BUS PARKING TEMPORARY RELOCATION**

## I. RECOMMENDED ACTION

**That the Board of Directors authorize the General Manager to execute a lease agreement with Wave Crest Development, Inc, 3D Family Limited Partnership, and Lawrence Michaels Family Limited Partnership for property located at 135 Du Bois Street, Santa Cruz, CA for the Judy K. Souza Operations Building Bus Parking Temporary Relocation.**

## II. SUMMARY OF ISSUES

- On December 7, 2012, the Board of Directors approved a contract with Lewis C. Nelson and Sons, Inc for the construction of the Judy K. Souza Operations Building.
- Staff commenced researching options for the safety of METRO staff and relocation of METRO buses as a temporary basis.
- METRO found a suitable location for METRO staff at 165 Du Bois Street, Santa Cruz, CA.
- On January 25, 2013, the Board of Directors approved a lease agreement with Kim Family Enterprises (SC), LLC for property located at 165 Du Bois Street, Santa Cruz, CA for the Operations Building Temporary Relocation.
- METRO staff has reviewed the terms and conditions of the Lease and awaits confirmation from the Wave Crest Development, Inc, 3D Family Limited Partnership, and Lawrence Michaels Family Limited Partnership.
- The lease agreement would commence on February 15, 2013.
- METRO staff recommends that the Board of Directors authorize the General Manager to execute a lease agreement with Wave Crest Development, Inc, 3D Family Limited Partnership, and Lawrence Michaels Family Limited Partnership for property located at 135 Du Bois Street, Santa Cruz, CA for the Judy K. Souza Operations Building Bus Parking Temporary Relocation.

### **III. DISCUSSION**

On December 7, 2012, the Board of Directors approved a contract with Lewis C. Nelson and Sons, Inc (LCN) for the construction of the Judy K. Souza Operations Building. The Judy K. Souza Operations Building is composed of five phases due to METRO continuing operations on the site. During the five phases, the contractor will grade site, pile drive concrete piles, and construct a two level parking structure, two level office space, and bus parking lot. METRO staff will have to work in conjunction with the contractor in sharing the site. Coordination will be critical for METRO to continue operating in the current building.

With the five phase challenge, METRO staff commenced researching options for the safety of METRO staff and relocation of METRO buses as a temporary basis in order to provide the whole site to the contractor and the contractor can provide a quicker turn around and better product.

METRO researched multiple locations and found a suitable location for METRO staff at 165 Du Bois Street, Santa Cruz, CA. Location includes offices on two floors and a front lobby for efficiency in dispatching bus operators. On January 25, 2013, the Board of Directors approved a lease agreement with Kim Family Enterprises (SC), LLC for property located at 165 Du Bois Street, Santa Cruz, CA for the Operations Building Temporary Relocation.

METRO staff has reviewed the terms and conditions of the Lease and awaits confirmation from the Wave Crest Development, Inc, 3D Family Limited Partnership, and Lawrence Michaels Family Limited Partnership. See Attachment A for the Land Lease Agreement. The lease agreement would commence on February 15, 2013 for a three year period. The lease consists of a thirty six (36) month period of \$3,500.00 per month. METRO staff checked for cost rate and compared to other properties in the same area. The lease rate is at or below market rate.

METRO staff recommends that the Board of Directors authorize the General Manager to execute a lease agreement with Wave Crest Development, Inc, 3D Family Limited Partnership, and Lawrence Michaels Family Limited Partnership for property located at 135 Du Bois Street, Santa Cruz, CA for the Judy K. Souza Operations Building Bus Parking Temporary Relocation.

### **IV. FINANCIAL CONSIDERATIONS**

Funds for the Operations Building Temporary Relocation are available with the funds METRO staff has secured for the Project.

### **V. ATTACHMENTS**

**Attachment A:** Land Lease Agreement for 135 Du Bois Street, Santa Cruz, CA

Prepared By: Frank Cheng, Project Manager and I.T. Manager

Date Prepared: January 18, 2013

## LAND LEASE

### 135 Dubois Street, Santa Cruz

**THIS LAND LEASE** (“Lease”) is entered into as of \_\_\_\_\_, 2013, in the City of Santa Cruz, County of Santa Cruz, State of California, by and between Wave Crest Development, Inc., a California corporation, 3D Family Limited Partnership, a California limited partnership and the Lawrence Michaels Family Limited Partnership, LP (collectively “Landlord”) and Santa Cruz Metropolitan Transit District (Santa Cruz METRO), a local public agency (“Tenant”).

For and in consideration of the rents and covenants set forth below, Landlord hereby leases and Tenant takes the Premises described below on the following terms and conditions.

1. **BASIC LEASE PROVISIONS.** The following basic lease provisions are part of this Lease, but are qualified and subject to further definition and clarification in the paragraphs which follow.

1.1. Tenant: Santa Cruz Metropolitan Transit District, **110 Vernon Street, Santa Cruz, CA 95060.**

1.2. Premises: 135 Dubois Street, Santa Cruz, California, 95060.

1.3. Dimensions: Approximately 62,038 square feet, m/l.

1.4. Use of Premises: Parking.

1.5. Lease Term: 36 Months.

1.6. Initial Base Rent: \$3,500.

1.7. Late charges: 6% of unpaid amount, 10 days.

1.8. Security deposit: \$3,500.

1.9. Operating Expenses: Tenant shall not be responsible for any of Landlord’s real property taxes or other operating expenses.

1.10. Commencement Date: \_\_\_\_\_, 2013.

2. **PREMISES.** Landlord hereby leases, demises, and rents to Tenant, and Tenant hereby leases and takes from Landlord, the vacant land area commonly referred to as 135 Dubois Street, Santa Cruz, California 95060, containing approximately 62,038

square feet, APNs: 001-033-13 (lower area), 001-033-14 (upper area). Any discrepancy between the actual square footage of the Premises and the foregoing approximation shall not affect the monthly rent or any other terms of this Lease.

3. **LEASE TERM.** Unless sooner terminated as provided in this Lease, the term of this Lease shall be 36 months. The Lease shall commence on the "Commencement Date" as described in section 1.10 above.

4. **ACCEPTANCE OF PREMISES.** After Landlord delivers possession of the Premises and Tenant takes occupancy of the Premises, Tenant shall have no legal or equitable remedy, except as provided for herein, based upon a claim that Landlord failed to deliver possession in accordance with the terms of this Lease or based on a claim that the size, location, dimensions, or construction of any improvements were not completed or furnished in accordance with the terms of this Lease. Tenant has had full opportunity to investigate and inspect the Premises, and has accepted the Premises in their present condition "As Is", and with all faults subject to the provisions of this Lease. Tenant acknowledges that Tenant has not relied on any warranties and representations by Landlord, or by anyone acting on Landlord's behalf, regarding the Premises, the condition of the Premises, or the suitability of the Premises for Tenant's intended use.

5. **RENT.** Tenant shall pay to Landlord at the address set forth below or such other address as Landlord provide to Tenant in writing for the use and occupancy of the Premises, in addition to the other sums set forth herein, rent in the amount of \$3,500, payable in advance on or before the first day of each calendar month of the lease term, without offset or deduction of any kind or for any reason, it being agreed that the foregoing covenant to pay rent is independent of any other covenant herein contained.

6. **LATE CHARGES AND DISHONORED CHECKS.** If any rent payment otherwise due is not received by Landlord by the 10th day of the month such payment is due, in addition to the provisions for default set forth below, there shall be added thereto, as additional rent, an amount equal to six per cent (6%) of the amount due. No notice or demand shall be required for said additional rent to become due and payable. In the event that any check or other instrument tendered by Tenant is dishonored, in addition to late charges as specified above, Tenant shall pay an additional fee of \$30.00 to reimburse Landlord for administrative costs incurred in connection with such dishonored instrument.

7. **OPERATING EXPENSES.** Landlord shall be responsible for property taxes and Landlord's own insurance.

8. **SECURITY DEPOSIT.** Tenant shall upon execution of this Lease deposit with Landlord the amount set forth in Paragraph 1.8 as security for the full and faithful performance of each and every term, provision, covenant and condition of this Lease. In the event Tenant defaults in respect of any term, provision, covenant and condition of this lease, including but not limited to

the payment of rent, Landlord may use, apply or retain the whole or any part of the deposit for the payment of any rent and default or for the payment of any other sum which Landlord may reasonably spend or be reasonably required to spend by reason of Tenant's default. If any portion of said deposit is so used or applied, Tenant shall within ten (10) days after written demand deposit cash with Landlord in an amount sufficient to replenish the security deposit to its original amount, and Tenant's failure to do so shall be a breach of this Lease. Any remaining portion of the security deposit, after all lawful deductions have been made, shall be refunded to Tenant following termination of this Lease.

**9. USE OF PREMISES.** The Premises shall be used for the sole purpose of parking Tenant's municipal bus fleet. The Premises shall not be used for servicing of vehicles at any time. Tenant shall, at Tenant's own cost and expense, comply with any and all reasonable requirements of Landlord's insurance carrier necessary for the continued maintenance at reasonable rates of fire and liability insurance policies on said premises and the improvements on said premises.

**10. COMPLIANCE WITH LAWS.** At all times during the term of this Lease or any extensions thereof, Tenant shall comply with all requirements of any State or Federal statute, or local ordinance or regulation, applicable to Tenant or Tenant's use of the Premises, and shall indemnify, defend, protect and hold Landlord harmless from penalties, fines, costs, expenses, or damages resulting from failure to do so. Tenant shall further refrain from committing or suffering to be committed by any person any waste upon the Premises or any nuisance.

**11. UTILITIES.** Tenant shall pay all utility costs incurred in connection with Tenant's occupation and use of the Premises, including, without limitation, garbage removal, and other utility services, and all utility taxes levied in connection with utilities used on the Premises. All such utilities shall be separately metered. Notwithstanding Landlord's negligence, intentional acts or omissions, Landlord shall not be responsible nor liable in any way whatsoever for the quality, impairment, interruption, or stoppage of utilities, or for interference with or stoppage of any service with or without notice to Tenant. Any such charges reasonably paid by Landlord shall be reimbursed to Landlord upon demand.

**12. NO JOINT VENTURE.** It is agreed that nothing contained in this Lease shall be deemed or construed as creating a partnership or joint venture or agency relationship between Landlord and Tenant or between Landlord and any other party, or cause either party to be responsible in any way for the debts or obligations of the other party. Neither the method of computation of any rent nor any other provision contained herein nor any acts of the parties hereto shall be deemed to create any relationship other than the relationship of Landlord or Tenant, and Tenant shall take or suffer no action which might lead a third person to believe otherwise. It is both a fact and it is understood between the parties that Landlord shall not be liable for any debts incurred by Tenant in the conduct of Tenant's business.

**13. MAINTENANCE AND REPAIR.** Tenant shall be solely responsible for all maintenance and repair of the Premises and every part thereof. If Tenant unreasonably refuses or neglects to repair items properly or initiate repairs as reasonably required under this paragraph or as soon

as reasonably possible after written demand, Landlord may, exercising reasonable care, make such repairs without liability to Tenant for any loss or damage that may accrue to Tenant's merchandise, fixtures, or other property or the Tenant's business by reason thereof, and upon completion thereof, Tenant shall pay Landlord's costs for making such repairs, plus 10% for Landlord's overhead and supervision. Tenant waives the provisions of Civil Code sections 1941 and 1942 and any other law that require Landlord to maintain the Premises in a tenantable condition or would provide Tenant with the right to make repairs and deduct the cost of those repairs from the rent.

**14. TENANT IMPROVEMENTS AND ALTERATIONS.** Tenant shall have the right to install sufficient quantities of recyclable base rock to construct a bus parking lot(s) on the Property, lighting (as necessary) and a perimeter fence to secure the Property. After the initial installation of the above improvements, Tenant shall not have the right to make any alterations, improvements or additions to the Premises costing in excess of \$10,000 without first obtaining the Landlord's written consent, which shall not be unreasonably withheld or delayed. Tenant shall present to Landlord plans and specifications for such work at the time consent is sought. Tenant shall do all grading and drainage improvements according to engineered plans in accordance with the requirements of the City of Santa Cruz and such improvements shall not have any detrimental effect on neighboring properties. Tenant shall not cause or permit any lien to be placed on or accrue upon the Premises or any part thereof by reason of anything done or omitted to be done upon said Premises by or with the permission of Tenant. All alterations, additions, improvements, and fixtures, except furniture and trade fixtures, irremovably fixed in or on the Premises by Tenant or any other person shall be the property of Landlord, and upon termination of this Lease shall remain upon and be surrendered with the Premises as a part thereof, or Landlord may, in Landlord's discretion, require any such alterations, additions or improvements to be removed by Tenant and the Premises restored to its original condition reasonable wear and tear excepted. It is understood that re-grading of the property or the removal of base rock will not be required of the Tenant.

**15. ACCESS BY LANDLORD.** Upon serving a 24 hour notice to Tenant, Landlord or its designee shall be permitted to enter upon the leased Premises at reasonable times during business hours, and in emergencies, at all times, to inspect the Premises, to make repairs, additions or alterations to the Premises, or to exhibit the Premises to prospective tenants provided such exhibit to prospective tenants is conducted by and coordinated with a representative of Santa Cruz METRO.

**16. SIGNS.** Tenant shall not place or maintain, nor permit any other person to place or maintain, any sign, awning, canopy, marquee, or other advertising on the Premises owned or controlled by Landlord without the prior written consent of Landlord, which shall not

be unreasonably withheld or delayed, and all required permits from the City of Santa Cruz. Notwithstanding the foregoing, Tenant shall be entitled to one sign on the front of the property.

**17. DESTRUCTION OF PREMISES.**

[Intentionally Omitted]



18. **EMINENT DOMAIN.** Should during the term of this lease title to all of the leased Premises or so much thereof be taken by any public or quasi-public use under any statute or by right of eminent domain, so that tenant could not reasonably be expected to conduct its business generally in the same manner as prior to the taking this lease shall terminate as of the date that possession of said Premises, or part thereof, be taken.

If any part of the Premises shall be so taken and the remaining part thereof is, in the Tenant's sole discretion, reasonably suited for Tenant's occupancy, this lease shall, as to the part so taken, terminate as of the date that possession of said part be taken, and the rent shall be reduced in proportion to the amount of floor area taken.

All compensation awarded or paid upon such a total or partial condemnation shall belong to and be the sole property of Landlord; provided, however, that Tenant shall be entitled to any award made for loss of business, depreciation to and cost of removal of stock and fixtures.

19. **LIABILITY AND INDEMNITY.** Tenant and Landlord will each indemnify, defend, protect and hold the other harmless from and against any and all claims, loss, proceedings, damages, causes of action, liability, costs or expense (including attorneys' fees) arising from or in connection with, or caused by (i) any act, omission or negligence committed by either party or any subtenant of Tenant, or their respective contractors, licensees, agents, servants or employees, wheresoever the same may occur, or (ii) any use of the Premises, or any accident, injury, death or damage to any person or property occurring in, on or about the Premises, or any part thereof, and any service delivery facilities of any other portions of the Building, excluding such claims, loss, proceedings, damages, causes of action, liability, costs or expense (including attorneys' fees) arising from or in connection with, or caused by, either party's negligence or willful misconduct.

20. **LIABILITY INSURANCE.** Tenant shall, at Tenant's expense, obtain and keep in full force during the term of this Lease or any extensions thereof, a policy of comprehensive general liability insurance including contractual liability coverage, insuring Tenant and Landlord, against any liability arising out of the use, occupancy, or maintenance of the Premises. Such insurance shall be in the amount of not less than One Million Dollars (\$1,000,000.00) for combined single limit bodily injury and property damage coverage. The limit of any such insurance shall not, however, limit the liability of the Tenant hereunder. Tenant may provide this insurance under a blanket policy, provided that said insurance shall have a Landlord's protective liability endorsement attached thereto. If Tenant shall fail to procure and maintain said insurance, after notice from Landlord and expiration of the applicable cure period, Landlord may, but shall not be required to procure and maintain same, and at the expense of Tenant. Tenant shall deliver to Landlord, prior to right of entry, certificates evidencing the existence and amounts of such insurance. No policy shall be cancelable, or subject to reduction of coverage without thirty (30) days' notice to Landlord at the address indicated below. All such policies shall be written as primary policies, not contributing with and not in excess of coverage which Landlord may carry, shall name any lender of Landlord of which Tenant has knowledge as an additional insured, and shall be written by a company or companies rated A/VII, or better in "Best's Insurance Guide".

21. **WAIVER OF SUBROGATION.** Each of the parties hereto waives any and all rights of recovery against the other or against the officers, directors, shareholders, employees, agents, representatives, customers and business visitors of such other party or of such other tenant or occupant of the subject Premises for loss of or damage to such waiving party or its property or the property of others under its control, arising from any cause insured against under the standard form of fire insurance policy with all permissible extension endorsements covering additional perils or under any other policy of insurance carried by such waiving party in lieu thereof, to the extent such loss or damage is insured against by such policy. Such waiver shall not be binding on either party unless the same is permitted by each party's insurance carrier without the payment of additional premium.

22. **ASSIGNMENT AND SUBLETTING.** Tenant shall not voluntarily assign or encumber its interest in this Lease or in the Premises, or sublease all or any part of the Premises, or allow any other person or entity (except Tenant's employees and permitted assignees and transferees) to occupy or use all or any part of the Premises, without first obtaining Landlord's written consent. If Tenant desires to make such an assignment, encumbrance, sublease or permit another person or entity to occupy or use part or all of the Premises, Tenant shall notify Landlord in writing by certified mail or via a nationally recognized overnight courier, of such intent setting forth in detail all particulars of the proposed transaction, including adequate credit, financial, personal and business information on any person or entity involved in the proposed transaction. After the expiration of seven (7) days from receipt of all items of information specified above, Tenant shall be entitled to proceed with the proposed assignment, encumbrance, sublease or additional occupancy, unless Landlord in the reasonable exercise of Landlord's judgment disapproves of the proposed assignee, sublessee, or occupant, on one or more of the following grounds:

A. that the proposed use of the Premises does not comply with the requirements of Section 10 above;

B. that the proposed assignee, sublessee, or occupant's financial or credit ability is unsatisfactory;

D. that the quality of previous or proposed business operations of the proposed assignee, sublessee, or occupant is unsatisfactory;

Tenant shall reimburse Landlord for attorneys' fees reasonably paid or incurred by Landlord, not to exceed \$500 per occurrence, in connection with any proposed assignment, encumbrance, sublease, or occupancy pursuant to this section, requiring Landlord's consent.

In the event of any assignment, encumbrance, sublease, or occupancy pursuant to this section, the provisions of this section shall apply to any further proposals to assign, sublease, encumber or allow any other person or entity to use all or part of the Premises.

Landlord may collect rent from any assignee, subtenant or occupant of all or any part of the Premises, and may apply the net amount collected to the rent required under the terms of this Lease, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of any of the provisions of this section, or the acceptance of the assignee, subtenant, or occupant as tenant, or a release of Tenant from the further performance by Tenant of the covenants on the part of Tenant herein contained. Tenant shall in no event be relieved of any liability or responsibility by reason of any assignment, sublease, encumbrance or change in occupancy.

**23. LENDERS AND SUCCESSORS TO LANDLORD.** Tenant agrees that this Lease shall be subordinate to any mortgages, trust deed, or other security of which Tenant is given written notice, now or hereafter encumbering the land and Building or upon any building hereafter placed upon the land of which the Premises are a part, and to all advances made or hereafter to be made upon the security thereof; provided, however, any such mortgage, deed of trust, or other security instrument shall contain a provision to the effect that so long as Tenant is not in default under this Lease or any renewal thereof, beyond the applicable cure period, no foreclosure of the mortgage, deed of trust, or other security instrument, or any other proceeding in respect thereof, shall divest, impair, modify, abrogate, or otherwise adversely affect any interests or rights whatsoever of Tenant under this Lease. This shall be self-operative and no further instrument of subordination shall be required, provided, however, the Tenant shall from time to time on the request from the Landlord or of any other party in interest, execute and deliver any document or instrument that reasonably may be required by a lender to effectuate any subordination. If Tenant without reasonable cause fails to execute and deliver any such document or instrument, Landlord will have the right to declare Tenant in default, after written notice and expiration of the applicable cure period.

Within thirty (30) days after receipt of a written request therefor by Landlord, Tenant agrees to execute and deliver in recordable form an estoppel certificate to any mortgagee or proposed mortgagee or purchaser to the Landlord certifying (if such be the case) that this Lease is unmodified and in full force and effect (and if there has been modification, that the same is in full force and effect as modified and stating the modifications); that there are no defenses or offsets against the enforcement thereof or stating those claimed by the Tenant; and stating the date to which rentals and other charges are paid. Such certificate shall also include such other information as may be reasonably required. Notices of any default by Landlord shall be given by Tenant to any mortgagee of whom Tenant has been notified in writing, and said mortgagee shall have the right but not the obligation to cure said default.

Tenant shall attorn and be bound to any of Landlord's successors under all the terms, covenants and conditions of this Lease for the balance of the Lease Term.

**24. SURRENDER OF PREMISES.** Subject to the provisions of paragraph 14 regarding alterations, upon expiration or sooner termination of this lease, or any extensions or renewals of this lease, Tenants shall promptly surrender and deliver the leased Premises to Landlord in good condition, with the environmental testing as described in paragraph 38 below.

**25. INSOLVENCY OF TENANT.** Tenant agrees that in the event all or substantially all of the Tenant's assets are placed in the hands of a receiver or trustee, and such receivership or

trusteeship continues for a period of thirty (30) days, or should Tenant make an assignment for the benefit of creditors or be adjudicated a bankrupt, or should Tenant institute any proceedings under the bankruptcy act or under any amendment thereof which may hereafter be enacted, or under any other act relating to the subject of bankruptcy wherein Tenant seeks to be adjudicated a bankrupt, or to be discharged of its debts, or to effect a plan of liquidation, composition, arrangement or reorganization, or should any involuntary proceeding be filed against Tenant under any such bankruptcy laws and Tenant consent thereto or acquiesce therein by pleading or default, then this Lease or any interest in and to the Premises shall not become an asset in any of such proceedings, and, in any such event and in addition to any and all rights and remedies of Landlord hereunder or by law provided, it shall be lawful for Landlord to declare the term hereof ended and to reenter the Premises and take possession thereof and remove all persons therefrom, and Tenant shall have no further claim thereon or hereunder.

26. **ACCORD AND SATISFACTION.** No payment by Tenant or receipt by Landlord of a lesser amount than the rent herein provided shall be deemed to be other than on account of the earliest rent due and payable hereunder, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Landlord may accept any such check or payment without prejudice to Landlord's right to recover the balance of such rent or pursue any other proper remedy.

27. **DEFAULT AND REMEDIES.** The occurrence of any of the following shall constitute a default under this Lease:

A. Tenant's failure to pay rent or to make any other payment required to be made by Tenant hereunder when due, which failure continues for five (5) days after receipt of written notice thereof.

B. Abandonment or vacation of the Premises by Tenant, for any purpose except remodeling or restoration for a time period approved by Landlord, or as otherwise herein provided.

C. Tenant's failure to cause to be released any mechanic's or materialmen's liens filed against the Premises within thirty (30) days after receipt of notice of the date the same shall have been filed.

D. Tenant's failure to observe or perform any other provision of this Lease to be observed or performed by Tenant, other than those described in Subparagraphs A, B, and C above, where such failure continues for thirty (30) days after receipt of written notice thereof by Landlord to Tenant; provided, however, that if the nature of such failure cannot reasonably be cured within such thirty-day period, Tenant shall not be deemed to be in default if Tenant shall within such period commence such cure and thereafter diligently prosecute the same to completion.

E. The insolvency of Tenant or the execution by Tenant of an assignment for the benefit of creditors; the filing for reorganization or arrangement under any law relating to bankruptcy or insolvency; or, the appointment of a receiver or trustee to take possession of substantially all of the Tenant's assets located at the Premises or of Tenant's interest in this Lease.

In the event of any default by Tenant hereunder, then, in addition to any other remedies available to Landlord at law or in equity, Landlord may at its option terminate this Lease and recover damages from Tenant, including (a) the worth at the time of award of the unpaid rent which has been earned at the time of termination; (b) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (c) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss for such period that Tenant proves could be reasonably avoided; and (d) any other amount reasonably necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform his obligations under this Lease.

Alternatively, in the event of such default, Landlord may elect not to terminate the Lease and Landlord may enforce rights and remedies under the Lease, including the right to

recover rent as it becomes due. In the event Landlord terminates the Lease, Landlord shall have the right to reenter and take possession of the Premises, to remove all persons and property therefrom, which property may be stored by Landlord at a warehouse or elsewhere at the risk, expense and for the account of Tenant, and to relet the Premises, or any part thereof, for the account of tenant, for such term and upon such conditions and at such rent as Landlord at its sole discretion may deem proper. To the fullest extent permitted by law, the proceeds of any reletting shall be applied as follows: first, to pay Landlord all costs and expenses of such reletting (including without limitation, costs and expenses of retaking or repossessing the Premises, removing persons and property therefrom, securing new tenants, and if Landlord shall maintain and operate the Premises, the cost thereof); second, to pay any indebtedness of Tenant to Landlord other than rent; third, to the rent due and unpaid hereunder; fourth, the residue, if any, shall be held by Landlord and applied in payment of any other or future obligations of Tenant to Landlord as the same may become due and payable, and Tenant shall not be entitled to receive any portion of such revenue.

Nothing in this paragraph shall be deemed to affect Landlord's right to indemnification for liabilities arising prior to termination of this Lease for personal injury or property damage under the indemnification clause or clauses contained in this Lease.

No reentry or reletting of the Premises shall be construed as an election by Landlord to terminate this Lease unless a written notice of such intention is given by Landlord to Tenant and notwithstanding any such reletting without such termination, Landlord may at any time thereafter elect to terminate Tenant's right to possession in this Lease.

All covenants and agreements to be performed by Tenant under any of the terms of this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any set-off or abatement of rent. If Tenant shall fail to pay any sum of money, other than rent, required to be paid hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue beyond any applicable grace period set forth above, Landlord may, after notice to Tenant and expiration of the applicable cure period, but shall not be obligated to do so, and without waiving or releasing Tenant from any obligations of Tenant, make on Tenant's behalf any such payment or perform any such other act to be made or performed by

Tenant as provided in this Lease. All sums so paid by Landlord and all necessary incidental costs, together with interest thereon at the maximum legal rate permitted by the laws of California, to the date the default is cured, shall be payable to Landlord on demand, and Tenant covenants to pay any such sum. Landlord shall have, in addition to any other right or remedy of Landlord, the same rights and remedies in the event of the nonpayment thereof by Tenant as in the case of default by Tenant in the payment of rent.

All remedies given to Landlord in this Lease shall not be exclusive but shall be cumulative and in addition to all remedies now or hereafter at law or in equity.

28. **TENANT'S PROPERTY.** Tenant agrees to insure the contents of the Premises against fire, theft, vandalism, and such other hazards as are readily insurable under a normal "fire and extended coverage" policy, and to provide Landlord with a copy of the certificate evidencing same, within thirty (30) days of the Commencement Date. Tenant shall be responsible for and shall pay before delinquency all municipal, county or state taxes assessed during the term of this Lease against any leasehold interest or personal property of any kind, owned by or placed in, upon, or about the Premises by Tenant. Except in the case of Landlord's intentional misconduct or gross neglect, Landlord shall not be liable for any damage to property of Tenant or of others located on the Premises, nor for the loss of or damage to any property of Tenant or of others by theft or otherwise. Except in the case of Landlord's intentional misconduct or gross neglect, Landlord shall not be liable for any injury or damage to persons or property resulting from fire, explosion, falling plaster, gas, electricity, water, rain or leaks from any part of the Premises, or from the pipes, appliances or plumbing works or from the roof, street or subsurface or from any other place or by any other cause of whatsoever nature. Landlord shall not be liable for any such damage caused by other tenants or persons in the Premises, occupants of adjacent property, or the public, or caused by operations and construction of any private, public or quasi-public work. All property of Tenant kept or stored on the Premises shall be so kept or stored at the risk of Tenant only and Tenant shall hold Landlord harmless from any claims arising out of such damage to the same, including subrogation claims by Tenant's insurance carriers, unless such damage shall be caused by the willful act or gross neglect of Landlord, and through no fault of Tenant.

29. **WAIVER.** The failure of Landlord or Tenant to insist in any one or more instances upon a strict performance of any of the covenants or agreements in this Lease or to exercise any option herein contained, shall not be construed as a waiver or a relinquishment for the future of such covenant, agreement, or option, but the same shall continue and remain in full force and effect. The receipt by Landlord of rent, with knowledge of the breach of any covenant or agreement hereof, shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision hereof shall be deemed to have been made unless expressed in writing and signed by Landlord.

30. **LEGAL EXPENSES.** In the event that any action shall be instituted by either of the parties hereto for the enforcement of any of its rights or remedies in or under this Lease, the prevailing party shall be entitled to recover from the other party, all costs incurred by said prevailing party in said action, including reasonable attorneys' fees to be fixed by the court therein.

31. **NOTICES.** Any notice, demand, request or other document or instrument which may be or is required to be given under this Lease shall be given only in writing and shall be deemed delivered if sent by United States certified, postage prepaid mail, return receipt requested, or by a national overnight delivery service, and shall be addressed (i) if to Landlord, Wave Crest, 530 Chestnut Street, Santa Cruz, California, 95060; and (ii) if to Tenant, Frank Cheng, Project Manager, 110 Vernon Street, Santa Cruz, CA 95060. Notices shall be effective upon deposit with reputable overnight delivery services or in the United States mails in accordance with the above provisions. Each party may designate such other address as shall also be given by such written notice. Other modes of delivery may also be utilized, provided such other delivery service can provide a proof of delivery.

32. **TIME OF ESSENCE.** Time is of the essence of this Lease. The parties hereby acknowledge and agree that time is strictly of the essence with respect to each and every term, condition, obligation and provision hereof and that the failure to timely perform any of the obligations hereof by either party shall constitute a breach of and a default under this Lease by the party so failing to perform.

33. **ENTIRE AGREEMENT.** This agreement constitutes the entire agreement between the parties pertaining to the subject matter contained in it and to the Premises, and supersedes all prior and contemporaneous leases, agreements, representations, and understandings of the parties. No supplement, modification, or amendment shall be binding unless executed in writing by all of the parties.

34. **PARTIAL INVALIDITY.** If any term, covenant, or condition of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, covenant, or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by law.

35. **SUCCESSORS.** All rights and liabilities herein given to, or imposed upon, the respective parties hereto shall extend to and bind the several respective heirs, executors, administrators, successors, and assigns of the said parties; and if there shall be more than one tenant, they shall all be bound jointly and severally by the terms, covenants and agreements herein. No rights, however, shall inure to the benefit of any assignee of Tenant, unless the assignment to such assignee has been approved by Landlord as provided above.

36. **CONSTRUCTION OF DOCUMENT.** This Lease has been the subject of negotiation by all parties hereto, and consequently this Lease shall not be construed in favor of or against any party by reason of that party having prepared this Lease or any part hereof.

37. **WARRANTY OF AUTHORITY.** The party signing this Lease on behalf of Tenant represents and warrants that Tenant is a corporation duly organized and validly existing under the laws of the State of California, and that the individual party executing this Lease on behalf

of Tenant is duly authorized to execute and deliver this Lease on behalf of Tenant, and that this Lease is binding upon Tenant in accordance with its terms.

**38. HAZARDOUS AND TOXIC SUBSTANCES.** Other than those items or substances identified in Exhibit B (attached to this lease) which may be used in small quantities and are essential for Tenant's operation within the space, Tenant shall not use, generate, store or

dispose, or give consent to anyone else to use, generate, store or dispose, any hazardous, toxic, or radioactive materials [hereinafter referred to collectively as "Hazardous Materials"]. As herein used, Hazardous Materials shall include, without limitation, those materials identified in Sections 66680 through 66685 of Title 22 of the California Administrative Code Division 4, Chapter 30, as amended from time to time, and those substances defined as "hazardous substances," "hazardous materials," "hazardous waste", or other similar designations in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 USC, Section 9601 et seq., the Hazardous Materials Transportation Act, 49 USC, Section 1801 et seq., and any other governmental statutes, laws, ordinances, rules, and regulations now or hereafter in effect. Tenant shall indemnify, defend and hold Landlord from and against any and all claims, damages, costs and liabilities, including all foreseeable and unforeseeable consequential damages, directly or indirectly arising out of the use, generation, storage, or disposal of Hazardous Materials by Tenant or any person claiming under Tenant, including, without limitation, the cost of any required or necessary repair, clean up, or detoxification and the preparation of any closure or other required plans, whether such action is required or necessary prior to or following the termination of this Lease, to the full extent that such action is attributable, directly or indirectly, to the use, generation, storage, or disposal of Hazardous Materials by Tenant or any person claiming under Tenant. Neither the written consent by Landlord to the use, generation, storage or disposal of Hazardous Materials nor the strict compliance by Tenant with all statutes, laws, ordinances, rules and regulations pertaining to Hazardous Materials shall excuse Tenant from Tenant's obligation of indemnification pursuant to this paragraph. Tenant's obligation pursuant to the foregoing indemnity shall survive the termination of this Lease.

Tenant further agrees that it will use, store, and dispose of any hazardous substances, as defined hereinabove, in compliance with all governmental regulations, and obtain applicable permits for said substances from the City of Santa Cruz or other appropriate governing body or agency having jurisdiction.

Notwithstanding anything to the contrary herein, Landlord agrees to indemnify and hold Tenant, and Tenant's employees, directors, shareholders, agents, contractors or other invitees harmless from any and all claims, damages, costs and liability (including reasonable attorney's fee) arising from any or all of Hazardous Materials and / or contaminations including, but not limited to, those comprising or resulting from petroleum based products or other solvents, including oil, grease, gas, diesel located in, on, or about the Premises (both surface and/or subsurface) which either existed on the Premises prior to Tenant's occupying the Premises, or were caused by any act or omission of Landlord's. Tenant shall at its expense do environmental testing consisting of a minimum of 6 spaced, shallow soil sampling tests by a licensed company



on the proposed upper parking pad and 6 spaced, shallow soil sampling tests on the proposed lower parking pad as well as 2 samples on the proposed driveway after grading but prior to installation of recyclable base rock. A copy of this testing report shall be provided to Landlord.

At the expiration of the Lease Term, another environmental testing shall be done similar to the prior testing at which time Landlord's environmental consultant shall also be present and such final report shall be provided to Landlord to document that no Hazardous Materials from Tenant's use during the lease term have damaged the property.

39. **PERMITS.** Tenant shall be solely responsible for obtaining all permits required for Tenant's use or occupancy of the Premises. Tenant shall confirm its ability to acquire appropriate occupancy/use permit for the Premises prior to lease execution.

#### 40. DISPUTE RESOLUTION

Landlord and Tenant shall use their best efforts to resolve any disputes that may arise from the rights and obligation under this Lease Agreement. Such efforts shall be excluded from the provisions of Paragraph 30 above. In the event such reasonable efforts fail, the parties agree to the following dispute resolution method.

PLEASE INSERT LANGUAGE REGARDING DISPUTE RESOLUTION AS PROVIDED IN PARAGRAPH 34 OF STANDARD LEASE AGREEMENT FORM.

40. **BROKERAGE.** The parties acknowledge that Hirsch and Associates is the agent of both Tenant and Landlord. Tenant agrees to pay Hirsch and Associates a leasing commission equal to 5% of the total rent for the lease term, payable not later than 30 days after full execution of this Lease. Except as to Hirsch and Associates, Landlord and Tenant each represent that they have not engaged the services of any real estate broker or finder in connection with this transaction, and shall indemnify, defend, and hold harmless the other party from any and all claims, demands, liabilities, losses or costs, including attorneys' fees, arising out of a breach of the foregoing representation.

*[signatures on next page]*

IN WITNESS WHEREOF, Landlord and Tenant have caused this instrument to be executed by their duly authorized representative as of the day and year first written below.

**LANDLORD:**

Wave Crest Development, Inc.

By:

DATED: \_\_\_\_\_

3D Family Limited Partnership

By:

DATED: \_\_\_\_\_

Douglas Michaels

Lawrence Michaels Family Limited Partnership, LP

By:

DATED: \_\_\_\_\_

Douglas Michaels

**TENANT:**

Santa Cruz Municipal Transportation District

By:

DATED: \_\_\_\_\_

# SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

**DATE:** February 8, 2013

**TO:** Board of Directors

**FROM:** Frank L. Cheng, Project Manager & I.T. Manager

**SUBJECT: CONSIDERATION OF AUTHORIZING THE GENERAL MANAGER TO EXECUTE A CHANGE ORDER CONTRACT AMENDMENT WITH LEWIS C. NELSON AND SONS FOR SCOPE OF WORK RELATED TO THE JUDY K. SOUZA OPERATIONS BUILDING RELOCATION IN AN AMOUNT NOT TO EXCEED \$250,000.00**

## I. RECOMMENDED ACTION

**That the Board of Directors authorize the General Manager to execute a change order contract amendment with Lewis C. Nelson and Sons for scope of work related to the Judy K. Souza Operations Building Relocation in an amount not to exceed \$250,000.00**

## II. SUMMARY OF ISSUES

- On December 21, 2012, the Board of Directors approved a contract with Lewis C. Nelson (LCN) for the construction of the Judy K. Souza Operations Building.
- On January 14, 2013, Notice-to-Proceed commenced for LCN.
- On January 28, 2013, the Board of Directors approved a lease with Kim Family Enterprises (SC), LLC for property located at 165 Du Bois Street, Santa Cruz, CA for the Operations Building Temporary Relocation for the office staff.
- On February 8, 2013, the METRO staff is presenting the Board of Directors a lease with Wave Crest Development, Inc, 3D Family Limited Partnership, and Lawrence Michaels Family Limited Partnership for property located at 135 Du Bois Street, Santa Cruz, CA for the Operations Building Temporary Relocation for the bus parking.

## III. DISCUSSION

On December 21, 2012, the Board of Directors approved a contract with Lewis C. Nelson (LCN) for the Judy K. Souza Operations Building. On January 14, 2013, Notice-to-Proceed commenced for LCN. This project consists of five phases that involve sharing the site with METRO's current Operations Building located at 1200 River Street, Santa Cruz, CA. Every day, METRO is on the site dispatching buses. Safety concerns arise from splitting the site for sharing with METRO's daily operation and the new construction. At the time of design for the project, sites were not known to hold both METRO's Operation Building staff and the bus parking.

Several sites were found that can assist with the Temporary Relocation for METRO's Operation Building staff and bus parking. On January 28, 2013, the Board of Directors approved a lease with Kim Family Enterprises (SC), LLC for property located at 165 Du Bois Street, Santa Cruz, CA for the Operations Building Temporary Relocation for the office staff.

On February 8, 2013, the METRO staff is presenting the Board of Directors a lease with Wave Crest Development, Inc, 3D Family Limited Partnership, and Lawrence Michaels Family Limited Partnership for property located at 135 Du Bois Street, Santa Cruz, CA for the Operations Building Temporary Relocation for the bus parking.

With both properties of 135 Du Bois Street and 165 Du Bois Street, METRO can vacate the construction site and LCN can begin work on the project as two phases instead of five phases. These two properties are adjacent to each other. METRO can safely continue operating at the new site until the Judy K. Souza Operations Building is complete.

LCN has presented an estimate to do the site work for 135 Du Bois to prepare it for bus parking. The provided estimate is a not-to-exceed amount of \$211,442.00. Scope of work consists of minor grading to site, geotechnical fabric layer, crush granite railroad ballast, and temporary fencing.

Staff recommends the total amount to have a contingency of \$38,558 to expedite any critical changes that arise in this scope of work. A missing item from the quote is site lighting which will be required for bus operator safety as they reach their designated METRO vehicle.

Staff is recommending that the Board of Directors authorize the General Manager to execute a contract amendment with Lewis C. Nelson and Sons for scope of work related to the Judy K. Souza Operations Building relocation in an amount not to exceed \$250,000.00

#### **IV. FINANCIAL CONSIDERATIONS**

Funds for the Judy K. Souza Operations Building component of the MetroBase Project are available with the funds METRO has secured for the Project.

#### **V. ATTACHMENTS**

**Attachment A:** None

Prepared By: Frank L. Cheng, Project Manager & I.T. Manager  
Date Prepared: February 8, 2013

# SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

**DATE:** February 8, 2013

**TO:** Board of Directors

**FROM:** Frank L. Cheng, Project Manager & I.T. Manager

**SUBJECT: CONSIDERATION OF AUTHORIZING THE GENERAL MANAGER TO EXECUTE A CONTRACT AMENDMENT WITH RNL DESIGN, INC. FOR GEOTECHNICAL ENGINEERING SERVICES AND SPECIALTY INSPECTIONS IN AN AMOUNT NOT TO EXCEED \$175,000.00**

## I. RECOMMENDED ACTION

**That the Board of Directors authorize the General Manager to execute a contract amendment with RNL Design, Inc. for geotechnical engineering services and specialty inspections in an amount not to exceed \$175,000.00**

## II. SUMMARY OF ISSUES

- On December 21, 2012, the Board of Directors approved a contract with Lewis C. Nelson (LCN) for the construction of the Judy K. Souza Operations Building.
- On December 13, 2013, the City of Santa Cruz finalized the Judy K. Souza Plans.
- On January 8, 2013, CALTRANS returned a response to the Encroachment Permit.
- Additional scope is needed to comply with CALTRANS requests in an amount not to exceed \$13,870.00
- TRC reviewed the Plan Check Approved Plans to make sure all inspections are covered.
- Cotton, Shires and Associates, Inc., a sub-consultant to RNL Design, Inc., is providing geotechnical engineering services and specialty inspections and submitted and a quote for services of not-to-exceed \$122,385.00

## III. DISCUSSION

On September 12, 2012, METRO received bids for the Judy K. Souza Operations Building. During the bidding process and funding sources short deadlines, METRO concurrently went out to bid and contacted the City of Santa Cruz to complete a plan check review for verification with the current 2010 California Building Code (CBC 2010). On December 21, 2012, the Board of Directors approved a contract with Lewis C. Nelson (LCN) for the construction of the Judy K. Souza Operations Building. On December 13, 2013, the City of Santa Cruz finalized the Judy K. Souza Operations Building Plans (Permit Set). RNL Design, Inc. (RNL) completed their scope of

work once the Permit Set was finalized. Change difference between the Bid Set and Permit Set will be tracked through the project.

On December 4, 2012, the State of California Department of Transportation (CALTRANS) return comments on METRO application for an Encroachment Permit. On January 8, 2013, CALTRANS returned a response to the Encroachment Permit. RNL's scope of work did not include additional work to modify the Permit Set with new changes requested by CALTRANS. The additional scope needed to comply with CALTRANS requests will be a not to exceed \$13,870.00 amount.

In addition to the above scope of work, TRC Solutions, Inc. (TRC) reviewed the Plan Check Approved Plans to make sure all inspections are covered. TRC is the construction management team. TRC will be covering most of the inspections outside of geotechnical related testing and inspections. Cotton, Shires and Associates, Inc., a sub-consultant to RNL Design, Inc., will be providing geotechnical related specialty testing and inspections. RNL submitted a proposal for services to provide geotechnical related specialty testing and inspections of not-to-exceed \$122,385.00. The testing and services was not included in the original RNL approval due to the unknown in changes to the Bid Set prior to plan check.

METRO also has applications with other agencies such as PG&E and AT&T. Staff recommends the total amount to have a contingency of \$38,745 to expedite any critical changes that arise in the project that requires RNL to make changes beyond their original scope of work.

Staff is recommending that the Board of Directors authorize the General Manager to execute a contract amendment with RNL Design, Inc. for geotechnical engineering services and specialty inspections in an amount not to exceed \$175,000.00

#### **IV. FINANCIAL CONSIDERATIONS**

Funds for the Judy K. Souza Operations Building component of the MetroBase Project are available with the funds METRO has secured for the Project.

#### **V. ATTACHMENTS**

**Attachment A:** RNL Letter – CALTRANS Encroachment Permit - dated January 22, 2013

**Attachment B:** RNL Letter – Geotechnical Services - dated January 23, 2013

Prepared By: Frank L. Cheng, Project Manager & I.T. Manager  
Date Prepared: February 8, 2013

22 January 2013

Mr. Frank Cheng, Project Manager  
110 Vernon Street  
Santa Cruz, CA 95060

Project: Santa Cruz Metropolitan Transit District Operations Building  
RNL Project No. 6040.1569.19

Subject: Encroachment Permit Application – Resolution of Issues in  
A. Aji Letter of 8 January 2013

Dear Mr. Cheng:

We have reviewed the comments contained in Mr. Aji's letter noted above with Rodney Cahill and Mark Mesiti-Miller of Mesiti-Miller [M-ME]. The result is that we feel that the best strategy for addressing the issues in the letter is for Mesiti-Miller to write an analysis of each of the comments with recommendations as to the most expeditious way to resolve them. The easiest route for some of the items might be to just do them, while others such as moving the Entry Drive might be deleted administratively by applying for a "Design Exception".

Once this analysis has been developed, we will review it with you and, with your approval to do so, approach Mr. Aji to attempt to resolve the matter. A conference call would be the first choice for this discussion, but Rodney Cahill and Mark Mesiti-Miller of M-ME and Sarah Rege of RNL will pursue the matter at the Department of Transportation's Office in San Luis Obispo if needed.

Per my conversations with M-ME of the source and timing of Mr. Aji's comments concerning sidewalk widths, I was informed that they originated in the CALTRANS Highway Design Manual that was updated in November 2012, which was after the completion of our permitting effort. As an example, the CALTRANS' request to widen the sidewalk to 5'-0" which we received and incorporated into the set during Permitting came from the Manual in effect at that time.

With respect to the timing of the balance of the comments, M-ME feel they completed their review with CALTRANS when they received Mr. Aji's comments during our permitting phase as he was checking items beyond the "Potholes" designation on the application. M-ME feels that they completed their work and the current comments are late and require additional effort to address at this time.

Bearing the above in mind, we have identified resolving Mr. Aji's comments at this time to be an Additional Service and propose to undertake the approach described above on a Not to Exceed basis for the sum of \$ 9,370 developed as follows:

RLL – Coordination, Administration & participation in Conference Call:	\$ 1,500
<u>Mesiti-Miller – Analysis, recommendations &amp; participation in Conference Call:</u>	<u>\$ 7,870</u>
Total:	\$ 9,370

Should it be necessary to follow the above with a trip to San Luis Obispo to continue/finish the negotiations with the Department of Transportation, the above limit should be increased as follows:

333 SOUTH GRAND AVENUE  
SUITE 1480  
LOS ANGELES CA 90071  
T 213 955 9775  
F 213 955 9885

ABU DHABI  
DENVER  
PHOENIX

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RLL:	\$	800
Mesiti-Miller:	\$	3,700
Total:	\$	4,500

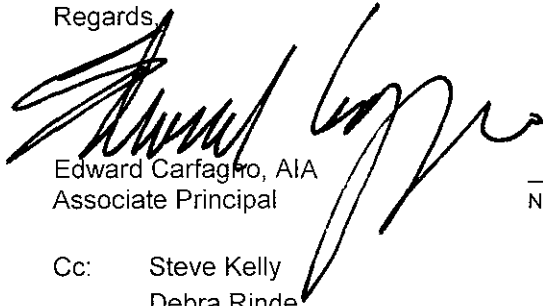
We will invoice you monthly for the above as the work proceeds.

Please note that if we are not able to negotiate Mr. Aji's comments away and have to make changes to the documents, we may need to discuss the cost of making the revisions once we know their scope.

You may indicate your acceptance of this proposal by signing in the space provided below and returning one copy to RNL while retaining the other for your records.

Please feel free to call me should you have any questions concerning the above.

Regards,



Edward Carfagno, AIA  
Associate Principal

\_\_\_\_\_ Name

\_\_\_\_\_ Date

Cc: Steve Kelly  
Debra Rinde  
Sarah Rege

File: 6040.1569.19/CF1.3





## Schedule of Standard Billing Rates

Effective January 26, 2013

### Office Personnel

Engineer I	\$ 95 / hour
Engineer II	110 / hour
Engineer III	130 / hour
Engineer IV	150 / hour
Engineer V	170 / hour
Principal Engineer	190 / hour
Expert Witness Services (4 hour minimum for deposition or court appearance)	300 / hour
Administrative Assistant	70 / hour
CAD Technician I	76 / hour
CAD Technician II	90 / hour
Field Technician I	80 / hour
Field Technician II	100 / hour

### Reimbursable Expenses:

<b>Consultants</b>	Direct Billing x 1.10
<b>Outside Services</b>	Direct Cost x 1.15
Document reproduction, photography, phone toll charges, delivery charges, equipment rental, and other direct project expenses	
<b>In-House Services</b>	
Photocopies	\$ 0.10 sheet
Digital Photography	20.00 use
CD-R's / DVD-R's	3.00 each
Repro film	3.00 sheet
Plotting	10.00 sheet
-check plots on bond	30.00 sheet
-final plots on mylar	
<b>Travel</b>	
Automobile mileage	\$ 0.65 mile
Airfare, Car Rental, etc.	Direct Cost x 1.15
Per Diem Allowance (varies by location)	\$150/day

Subject to change without notice

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21 January 2013, 23 January 2013 [Rev]

Mr. Frank Cheng, Project Manager  
110 Vernon Street  
Santa Cruz, CA 95060

Project: Santa Cruz Metropolitan Transit District Operations Building  
RNL Project No. 6040.1569.19

Subject: Proposal for Geotechnical Construction Observation Services and Testing Services

Dear Mr. Cheng:

As you may recall, Geotechnical Construction Observation and Testing Services were not included in the scope-of-work required to upgrade the Construction Documents to meet current codes and for Construction. Accordingly, Cotton, Shires has forwarded to RNL their proposal dated 7 August 2012 [copy attached] to provide these services and we are sending it to you herewith for your approval.

Assuming some coordination from RNL as this work proceeds, we are proposing to provide these services for an Estimated Budget of \$122,385 developed as follows:

RLL - Coordination and Administration:	\$ 2,000
Cotton, Shires and Associates, Inc. - Geotechnical Services:	<u>\$ 120,385</u>
Total:	\$ 122,385

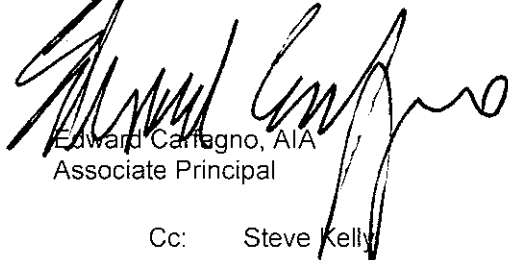
We will invoice you monthly as the work proceeds.

Please note the contingency discussion in Cotton, Shires and Associates, Inc.'s proposal as it outlines why the fee has been quoted as an "Estimated Budget".

Please indicate your agreement with this proposal by signing in the space provided below and return on copy to this office while retaining the other for your records.

Please feel free to call me should you have any questions concerning the above.

Regards,



Edward Carfagno, AIA  
Associate Principal

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date

Cc: Steve Kelly  
Debra Rinde  
Sarah Rege

File: 6040.1569.19/CF1.2

LOS ANGELES  
333 SOUTH GRAND AVENUE  
SUITE 1480  
LOS ANGELES CA 90071  
T 213 955 9775  
F 213 955 9885

ABU DHABI  
DENVER  
PHOENIX

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August 7, 2012  
Revised January 22, 2013  
E0024H

By Email (Ed.Carfagno@RNLDESIGN.com) and Mail

Mr. Ed Carfagno  
RNL Design  
333 South Grand Avenue, Suite 1480  
Los Angeles, California 90071

**SUBJECT: Revised Budget Estimate - Geotechnical Construction Observation and Testing Services**

**RE: Santa Cruz Metropolitan Transit District (SCMTD) Operations Building  
Santa Cruz, California**

REFERENCE: Santa Cruz Metropolitan Transit District Operations Building, plans dated June 27, 2012.

Dear Mr. Carfagno:

Cotton, Shires and Associates, Inc. is providing RNL Design with this revised budget estimate for geotechnical construction observation and testing services for the Santa Cruz Metropolitan Transit District (SCMTD) Operations Building in Santa Cruz, California. To date, we have not been provided with the Contractor's construction schedule.

We understand that the planned, geotechnically-related construction for the SCMTD Operations Building includes the following: 1) driving indicator and production piles; 2) backfilling around piles and pile caps; 3) site and pad grading; 4) preparing slab-on-grade subgrade; 5) placing capillary break material; 6) preparing pavement (concrete and AC) subgrade; 7) placing and compacting Class 2 Aggregate Baserock; 7) backfilling utility trenches; 8) excavating grade beams; 9) excavating wall foundations; 10) installing retaining wall backdrains and backfilling retaining walls; 11) installing subdrains and trench drains; 12) observing and testing River Street subgrade and baserock compaction; and 13) observing and testing subgrade compaction for outfall and landscaping area. Our estimated hours for observing and testing the above geotechnically-related work set forth in the following table is based on our experience on similar projects, including the Service Building recently constructed at this site and a conversation with Mr. Stephen Kelly, the Project Construction Manager.

<u>Task</u>	<u>Estimated Hours</u>	<u>Hourly Rate</u>	<u>Cost</u>
Pre-Bid Consultation	12	215	\$2,580
	4	70	\$280
Pile Driving Indicator Piles	63	100	\$6,300
- Observation & Field Oversight	6	215	\$1,290
Pile Driving Production Piles	306	100	\$30,600
- Observation & Field Oversight	6	215	\$1,290
Backfilling around Piles and File Caps - Observation and Testing	24	100	\$2,400
Site and Pad Grading - Observation and Testing	32	100	\$3,200
Preparing Slab-on-Grade Subgrade - Observation and Testing	32	100	\$3,200
Placing Capillary Break Material - Observation	4	100	\$400
Preparing Pavement Subgrade - Observation and Testing	24	100	\$2,400
Placing and Compacting Class 2 AB - Observation and Testing	40	100	\$4,000
Backfilling Underground Utilities -- Observation and Testing	96	100	\$9,600
Excavating Grade Beams - Observation	10	100	\$1,000
Excavating Wall Foundation - Observation	24	100	\$2,400
Installing Retaining Wall Backdrain - Observation	10	100	\$1,000

Installing Retaining Wall Backfill - Observation and Testing	24	100	\$2,400
Installing Subdrains and Trench Drains - Observation	16	100	\$1,600
Preparing River St. Subgrade - Observation and Testing	16	100	\$1,600
Placing and Compacting River St. Class 2 AB - Observation and Testing	32	100	\$3,200
Preparing Landscape Area Subgrade - Observation and Testing	16	100	\$1,600
Preparing Outfall Area Subgrade - Observation and Testing	16	100	\$1,600
Installing Silt Separation Trap - Observation and Backfill Testing	32	100	\$3,200
Vehicle and Nuclear Gauge Charges			<u>\$3,375</u>
		<b>Subtotal Field</b>	<b>\$90,515</b>
Office Support – Review Submittals (RFI), Supervision, QA/QC Progress Letters, Consultation, Construction Report		33% of Field	<u>\$29,870</u>
		<b>Estimated Total</b>	<b>\$120,385</b>

This budget estimate of \$120,385 is based on intermittent inspection for all geotechnically-related Contractor scheduled tasks, except for full-time pile driving inspection and grading (backfilling and compaction) and should be used for budgeting purposes only with a significant contingency (i.e., on the order of 20 to 25 percent of this amount) added to this estimate to account for delays beyond our control, including the weather, the Contractors' actual schedule and ability and other factors. Ultimately, our time spent on site will be determined by the Contractors' schedule and competency, and if the Contractor is able to undertake several tasks simultaneously, our time could be reduced. As usual, the project would only be invoiced for the actual hours spent for these tasks. If, during the course of construction, it appears that our estimated budget



**COTTON, SHIRES AND ASSOCIATES, INC.**  
**SCHEDULE OF CHARGES, LIMITATIONS AND TERMS FOR PROFESSIONAL SERVICES (Page 1 of 2)**  
 January 2012

**Personnel Charges**

Senior Principal Engineer/Geophysicist .....	\$ 255/hr
Principal Geologist/Engineer .....	\$ 215/hr
Supervising Geologist/Engineer .....	\$ 180/hr
Senior Geologist/Engineer .....	\$ 150/hr
Senior Staff Geologist/Engineer .....	\$ 135/hr
Staff Geologist/Engineer .....	\$ 120/hr
Field/Laboratory Technician .....	\$ 100/hr
Technical Illustrating .....	\$ 85/hr
Clerical/Accounting .....	\$ 70/hr

**Equipment and Supply Charges**

Inclinometer System .....	\$ 150/day
Piezometer Data Acquisition System .....	\$ 75/day
Total Station Surveying Equipment .....	\$ 200/day
GPS/Reflectorless Surveying Equipment .....	\$ 300/day
Nuclear Moisture/Unit Weight Gauge .....	\$ 100/day
Rope Climbing Safety Equipment .....	\$ 200/day
Velocity or Suspended & Bed Load Sampling Equipment .....	\$ 100/day
Multi-Channel Seismograph System and ReMi .....	\$ 250/day
Vehicle Mileage* .....	\$.555/mi
*mileage will be adjusted per IRS rate	
Aircraft Mileage .....	\$1.29/nmi
Photocopying (B&W-Color) .....	\$ .15-.40/copy
Engineering (Large Format) Copier .....	\$ .40/ft <sup>2</sup>
Computer Assisted Color Plotting .....	\$ 10/sq. ft.

**Expert Witness Consultation Charges**

Expert witness testimony for court appearances and binding arbitrations shall be charged on a daily basis (minimum one day increments) at a rate of \$3,880 per day. Deposition testimony shall be charged at a rate of \$485 per hour (minimum one hour charge). Preparation time for depositions or court appearances shall be charged on a time-and-expense basis in accordance with the Personnel, Equipment, and Expense charges listed herein.

**Laboratory Testing and Geophysical Service Charges**

Laboratory testing and geophysical services shall be charged on a time-and-materials basis in accordance with the Personnel, Equipment, and Expense charges listed herein.

Laboratory samples shall be stored for 60 days after the date of final report submittal unless special arrangements are made for longer storage.

**Expense Charges (Receipted Costs Plus 15%)**

- Travel expenses including air fare, lodging, vehicle rental, etc. (either actual receipted costs plus 15% for meals or a flat subsistence charge of \$55 per diem for overnight stay shall be charged in addition to the lodging cost)
- Excavation subcontractors and expendable field supplies
- Reproduction of drawings
- Photograph printing
- Special fees, permits, insurance, etc.
- Conference call telephone costs
- Special mail service (air, electronic, courier, etc.)
- Special equipment rental
- Special consultant fees

**Limitations and Terms for Professional Services**

**AGREEMENT** - This Schedule of Charges, Limitations and Terms for Professional Services as an attachment to a signed Proposal or Client Contract constitutes an "Agreement" between COTTON, SHIRES AND ASSOCIATES, INC. (CSA) and the Client. Client has authorized commencement of the work under this Agreement by signing the "Approved by" section of the Proposal or Contract. The Agreement is hereby incorporated and made part of the Contract between the parties. In consideration of the mutual Agreement set forth herein and intending to be legally bound, the parties hereto agree as to the following:

**Invoicing and Payment** - Client shall pay CSA compensation as outlined in the Proposal or at the rates determined in the above Schedule of Charges and according to the payment terms below. Invoices may be prepared and submitted by CSA on a monthly basis or when the work is completed, at CSA's option. Payment is due upon receipt and is past due thirty (30) days from date of invoice. A service charge of 1.5% per month, or the maximum amount allowed by law, will be charged on past due accounts. Payments by Client will thereafter be applied first to accrued interest and then to the principal unpaid balance. Any attorney fees, court costs, or other costs incurred in collection of delinquent accounts shall be paid by the Client. If payment of invoices is not current, CSA may suspend performing further work at no liability to CSA.

**Relationship between CSA and Client** - CSA is retained by the Client to investigate and to consult with the Client regarding the Project, as defined in the Proposal. Client shall provide CSA in writing with all information relevant to the Project and shall advise CSA of any condition known to Client that may affect CSA's performance under this Agreement. CSA's services are for the benefit of the Client, but Client recognizes that the extent of those services is limited by the time-frame chosen and the funds expended by the Client for the investigation. CSA has no responsibility for the work product of any independent consultants required for the Client's Project, nor for completeness, adequacy, or quality of said independent consultants' work, or specialty work.

**Information Provided by Client** - CSA and the Client shall discuss and agree upon the information needed for rendering of services hereunder. The Client agrees to provide to CSA all such information as agreed to be necessary. With respect to such information, the Client understands and agrees that CSA will rely solely upon the Client to ensure the accuracy and completeness thereof, as the Client recognizes that it is impossible for CSA to assure the accuracy, completeness and sufficiency of such information.

**Ownership of Documents and Proprietary Information** - This proposal and all documents, including, but not limited to, drawings, specifications, computer disks, reports, calculations, and estimates, prepared by CSA in connection with this Agreement ("CSA Confidential Information") are instruments of service and are intended for the sold use of the recipient hereof, and may not, except as otherwise described herein, be disclosed, distributed, or disseminated in any form without the prior written consent of CSA. The CSA Confidential Information is and shall remain the sole property of CSA. Client may distribute documents generated by CSA in connection with CSA's services under this Agreement to third parties, provided that said third party agrees in writing to be bound by the confidentiality and ownership of documents provisions of this Agreement. The terms of this Section shall survive the termination of this Agreement.

CSA SCHEDULE OF CHARGES, LIMITATIONS AND TERMS FOR PROFESSIONAL SERVICES (Page 2 of 2)

Public Liability - COTTON, SHIRES AND ASSOCIATES, INC. is a California Corporation protected by Worker's Compensation Insurance (and/or Employer's Liability Insurance), and by Public Liability Insurance for bodily injury and property damage, and will furnish certificates thereof upon request. We assume the risk of damage to our own supplies and equipment. If your contract or purchase order places greater responsibilities upon us or requires further insurance coverage, we, if specifically directed by you, will procure additional insurance (if procurable) to protect us at your expense, but we shall not be responsible for property damage from any cause, including fire and explosion, beyond the amounts of coverage of our insurance.

Standard of Care and Professional Liability - In performing professional services, CSA shall use that degree of care and skill ordinarily exercised under similar circumstances by members of our profession at the time the services are performed. No other representation or warranty, express or implied, is made or intended in this Agreement, by our proposal for consulting services, by our furnishing oral opinion or written reports, or by our inspection or work. However, should we or any of our professional employees be found to have been negligent in the performance of professional services or to have made and breached any express or implied warranty, you agree that the maximum aggregate amount of your recovery against us and/or said professional employees shall be limited to \$50,000 or the amount of the fee paid us for professional services as computed under the SCHEDULE OF CHARGES, whichever amount is greater. Moreover, client agrees to indemnify us against damages in excess of \$50,000 or the amount of our fee, whichever amount is greater, arising from suits brought against us by third parties, in connection with our work performed on your project.

Notices - All notices in writing to be given hereunder by either party to the other party shall be served by letter or sent by facsimile.

Assignment - Neither this agreement nor the benefits or obligations under this Agreement shall be sold, assigned or transferred by either party to any third parties including subsidiary or affiliated companies without the prior written approval of the other party, with such approval not to be unreasonably withheld by either. In the event the approval is given by either for assignment or transfer, such an approval shall not relieve either from any liability and/or responsibility under the Agreement.

Termination/Cancellation - Client and CSA will have the right to terminate this Agreement for their convenience by giving ten (10) days prior written notice. After termination, CSA will be reimbursed for services rendered and necessary expenses incurred to the termination date upon submission to Client of detailed supporting invoices. The obligations of paragraphs 3, 4, and 6 remain in effect after termination.

Change in Scope of Work - If, during the performance of the work under this Agreement, it is determined that the scope of work has expanded or changed such that additional expenditures are required, the client shall be notified and approval from the client shall be received prior to the performance of the additional services.

Dispute Resolution - CSA and Client recognize that disputes arising under this Agreement are best resolved at the working level by the parties directly involved. Both parties are encouraged to be imaginative in designing mechanism and procedures to resolve disputes at this level. Such efforts shall include the referral of any remaining issues in dispute to higher authority within each participating party's organization for resolution. Failing resolution of conflicts at the organizational level, CSA and Client agree that any remaining conflicts arising out of or relating to this Agreement shall be submitted to non-binding mediation unless CSA and Client mutually agree otherwise. If the dispute is not resolved through non-binding mediation, then the parties may take other appropriate action subject to the other terms of this Agreement. Neither party shall hold the other responsible for damages or delay in performance caused by acts of God, strikes, lockouts, accidents or other events beyond the reasonable control of the other party, its employees or agents. Should litigation or arbitration occur between the parties relating to the provisions of this Agreement, all litigation or arbitration expenses, collection expenses, witness fees, court costs and attorneys' fees reasonably incurred by the prevailing party shall be paid by the non-prevailing party.

Governing Law - The validity, performance, and construction of this Agreement, and the relationship between Client and CSA shall be governed and interpreted in accordance with the substantive laws of California, United States of America, without regard to its choice of law rules. This Agreement shall be construed as to its fair and not strictly for or against either party.

Jobsite Safety - Neither the professional activities of CSA, nor the presence of CSA employees and CSA subconsultants at a construction site, shall relieve the contractor and any other entity of their obligations, duties and responsibilities including, but not limited to, construction means, methods, sequence, techniques or procedures necessary for performing, superintending or coordinating all portions of the Work of construction in accordance with the contract documents and any health or safety precautions required by any regulatory agencies. CSA and its personnel have no authority to exercise any control over any construction contractor or other entity or their employees in connection with their work or any health or safety precautions. The Client agrees that the general contractor and its various subcontractors are solely responsible for jobsite safety, and warrants that this intent shall be made evident where appropriate in the Client's agreements with other contractors. If the Client is a Contractor or Subcontractor on the Project, the Client also agrees that the Client, CSA, and CSA's consultants shall be indemnified and shall be made additional insureds under the client's general liability insurance policy; in other cases, the Client agrees to arrange for this indemnification and additional insureds under the General Contractor's general liability insurance policy.

Field Exploration - Unless otherwise agreed, the client shall furnish right-of-entry on land for planned field operations. The client shall also provide CSA with locations and depths of buried utilities and structures. CSA shall take responsible precautions to minimize damage to land from use of equipment, but our fee does not include cost of restoration of damage resulting from our exploration operations. CSA shall not be liable for damage or injury arising from damage to subterranean structures (pipes, tanks, telephone cables, etc.) which are not called to our attention and correctly shown on plans furnished to us.

Miscellaneous - In the event of any litigation or proceeding involving CSA and Client, the prevailing party shall be entitled to recover its reasonable legal fees, expert fees, and normal employee rates and associated costs from the non-prevailing party. Failure by Client to object to any of the terms and conditions contained in this Agreement before the commencement of services by CSA will be deemed an acceptance of such terms and conditions. Notwithstanding anything to the contrary in this Agreement, CSA and Client agree that neither party shall be liable for any special, indirect, consequential, lost profits, or punitive damages. If any term, condition, or provision of this Agreement is found unenforceable by a court of law or equity, this Agreement shall be construed as though that term, condition, or provision did not exist, and its unenforceability shall have no effect whatsoever on the rest of this Agreement.

COTTON, SHIRES AND ASSOCIATES, INC.

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# SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

**DATE:** February 8, 2013

**TO:** Board of Directors

**FROM:** Frank L. Cheng, Project Manager & I.T. Manager

**SUBJECT: CONSIDERATION OF AUTHORIZING THE GENERAL MANAGER TO EXECUTE A CONTRACT AMENDMENT WITH TRC SOLUTIONS, INC. FOR PRE-STRESSED PILE TESTING AND INSPECTIONS IN AN AMOUNT NOT TO EXCEED \$25,000.00**

## I. RECOMMENDED ACTION

**That the Board of Directors authorize the General Manager to execute a contract amendment with TRC Solutions, Inc. for pre-stressed pile testing and inspections in an amount not to exceed \$25,000.00**

## II. SUMMARY OF ISSUES

- On December 21, 2012, the Board of Directors approved a contract with Lewis C. Nelson (LCN) for the construction of the Judy K. Souza Operations Building.
- On January 15, 2013, a Pre-Construction meeting occurred involving all parties for the Judy K. Souza Operations Building Project.
- Cotton, Shires and Associates, Inc., a sub-consultant to RNL Design, Inc., is providing geotechnical engineering services and specialty inspections and does not have the expertise to test and inspect pre-stressed pile.
- Consolidated Engineering Laboratories doing the specialty inspections for TRC Solutions, Inc can provide the pre-stressed pile testing and inspections.
- TRC Solutions, Inc. provided a proposal for additional scope of work for pre-stressed pile testing and inspections in an amount not to exceed \$19,400.00

## III. DISCUSSION

On December 21, 2012, the Board of Directors approved a contract with Lewis C. Nelson (LCN) for the construction of the Judy K. Souza Operations Building. TRC Solutions, Inc. (TRC) is the construction management team and will be covering most of the inspections outside of geotechnical related testing and inspections being provided by Cotton, Shires and Associates(Cotton Shires), Inc., a sub-consultant to RNL Design, Inc. TRC contracted with Consolidated Engineering to provide the specialty inspections.

On January 15, 2013, a Pre-Construction meeting occurred involving all parties for the Judy K. Souza Operations Building Project. During the meeting, the question arose about pre-stressed

pile testing and inspections. This item was thought to be in Cotton Shires scope of work. Cotton Shires mentioned that they excluded pre-stressed pile testing and inspections because they do not have the expertise for that task. To cover this pre-stressed pile, Consolidated Engineering stated that they do have the expertise on it and later provided a proposal of not-to-exceed \$19,400.00. Mesiti-Miller Engineering, Inc., sub-consultant for RNL Design, Inc., is the Civil and Structural Engineering. They recommend this critical component of the building to make sure fabrication of the concrete piles is to industry standards.

Staff recommends the total amount to have a contingency of \$5,600 to expedite any critical changes that arise in the project that requires TRC to make changes beyond their original scope of work.

Staff is recommending that the Board of Directors authorize the General Manager to execute a contract amendment with TRC Solutions, Inc. for pre-stressed pile testing and inspections in an amount not to exceed \$25,000.00

#### **IV. FINANCIAL CONSIDERATIONS**

Funds for the Judy K. Souza Operations Building component of the MetroBase Project are available with the funds METRO has secured for the Project.

#### **V. ATTACHMENTS**

**Attachment A:** Consolidated Engineering Proposal - dated January 22, 2013

Prepared By: Frank L. Cheng, Project Manager & I.T. Manager  
Date Prepared: February 8, 2013



January 22, 2013

Mr. Stephen Kelly  
Project Manager, TRC Solutions  
1217 River Street  
Santa Cruz, CA 95060

Via Email: [skelly@trcsolutions.com](mailto:skelly@trcsolutions.com)

Subject: ***Santa Cruz Metro, Judy K. Souza Project  
Precast Pile Fabrication Inspection and Testing Cost Proposal  
CEL # 10-26500***

Dear Mr. Kelly:

As requested, Consolidated Engineering Laboratories is forwarding a cost proposal to perform Special Inspection and Materials Testing for the fabrication of precast piles to be utilized for the Judy K. Souza project.

It is anticipated that the fabrication will take place at the KIE-CON yard in Antioch, CA. Speaking with management personnel at KIE-CON, CEL was able to obtain a production schedule of approximately 18-20 days.

**Estimated Cost:**

Rebar/Tendon and Concrete Placement	160 Hours	\$90.00/Hour	\$14,400.00
Concrete Compression Tests	80 Cylinders	\$40.00/Each	\$3,200.00
Sample Pickup/Transportation	20 Trips	\$90.00/Trip	\$1,800.00
<b>Grand Total:</b>			<b>\$19,400.00</b>

With your authorization, this work can be incorporated into the TRC/CEL agreement for the project utilizing the existing terms and conditions. A signature block is below for your convenience.

CEL looks forward to your response to this extended service for this project. Should you have any questions or if I can be of further assistance please contact me.

Respectfully Submitted,  
CONSOLIDATED ENGINEERING LABORATORIES

A handwritten signature in blue ink, appearing to read 'Cal Dickerman', is written over a light blue rectangular background.

Cal Dickerman  
Vice President, Marketing

This proposal, when signed by client at the space indicated below, shall constitute a legally enforceable contract on the precise, unaltered terms set forth in this proposal and the accompanying Contract Terms and Conditions.

**Client: TRC Solutions**

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Date