



AGENDA

BOARD OF DIRECTORS REGULAR MEETING

AUGUST 8, 2014 – 8:30 AM

SANTA CRUZ METRO ADMINISTRATIVE OFFICES
110 VERNON STREET
SANTA CRUZ, CA 95060

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

Alex Clifford, CEO
Leslyn K. Syren, District Counsel

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 the 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 Coordinador de Servicios Administrativos al numero 831-426-6080.



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 the 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.



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

8:30 AM

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 Communications to the Board of Directors 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.

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. ACCEPT AND FILE MINUTES FOR THE SANTA CRUZ METRO BOARD OF DIRECTORS MEETINGS OF**
 - i. April 25, 2014
 - ii. June 13, 2014

- 7-2. CONSIDERATION OF AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE A CONTRACT AMENDMENT WITH MIKE STANGE FOR INTERIM FLEET MAINTENANCE MANAGEMENT SERVICES IN AN ADDITIONAL AMOUNT NOT TO EXCEED \$75,000**
Erron Alvey, Purchasing Manager

- 7-3. CONSIDERATION OF ISSUING A FORMAL INVITATION FOR BIDS FOR THE PURCHASE AND INSTALLATION OF CARPETING AND RELATED SITE WORK AT PACIFIC STATION**
Erron Alvey, Purchasing Manager

- 7-4. CONSIDERATION OF REJECTING ALL BIDS RECEIVED FOR THE APPLICATION OF CHIP SEAL ON UNPAVED PARKING LOT AND RELATED SITE WORK**
Erron Alvey, Purchasing Manager

- 7-5. CONSIDERATION OF APPROVAL OF AUDIT ENGAGEMENT LETTER WITH BROWN ARMSTRONG ACCOUNTANCY CORPORATION FOR FINANCIAL AUDIT AND TAX SERVICES FOR YEAR THE ENDED JUNE 30, 2014**
Angela Aitken, Finance Manager

- 7-6. CONSIDERATION OF AUTHORIZING THE CEO TO EXECUTE A TWO YEAR LEASE WITH ONE OPTION TO RENEW FOR AN ADDITIONAL TWO YEARS FOR THE PROPERTY LOCATED AT 2880 RESEARCH PARK DRIVE IN SOQUEL**
Ciro Aguirre, Manager of Operations



REGULAR AGENDA

- 8. PUBLIC HEARING: RECEIVE PUBLIC COMMENTS ON SANTA CRUZ METRO'S PROPOSED DISADVANTAGED BUSINESS ENTERPRISE (DBE) GOAL OF 1.5% FOR FEDERAL FISCAL YEARS 2015-2017 (FFY15-FFY17) AND ADDITION OF THE DBE PROGRAM TO METRO'S ADMINISTRATIVE CODE**
Angela Aitken, Finance Manager

- 9. STRUCTURAL DEFICIT WORKSHOP I OF VIII**
Alex Clifford, CEO

- 10. ANNOUNCEMENT OF NEXT MEETING: FRIDAY, AUGUST 22, 9:00 AM, SCOTTS VALLEY CITY COUNCIL CHAMBERS, 1 CIVIC CENTER DR, SCOTTS VALLEY**
Lynn Robinson, Board Vice- Chair

- 11. ADJOURNMENT**
Adjourn to the next Board of Directors meeting.

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.scmttd.com subject to staff's ability to post the document before the meeting.

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: August 8, 2014
TO: Board of Directors
FROM:  Alex Clifford, CEO
SUBJECT: ACCEPT AND FILE MINUTES FOR THE SANTA CRUZ METRO BOARD OF DIRECTORS MEETINGS ON APRIL 25, 2014 AND JUNE 13, 2014

I. RECOMMENDED ACTION

That the Board of Directors accept and file the minutes for the Santa Cruz METRO Board of Directors meetings on April 25, 2014 and June 13, 2014.

II. SUMMARY OF ISSUES

- Staff is providing minutes from the Santa Cruz METRO Board of Directors meetings on April 25, 2014 and June 13 2014.
- Each meeting, staff will provide minutes from previous Santa Cruz METRO Board of Directors meetings.

III. DISCUSSION

The Board requested that staff include in the Board Packet minutes for previous Santa Cruz METRO Board of Directors meetings. Staff is enclosing the minutes from these meetings as a mechanism of complying with this request.

IV. ATTACHMENTS

Attachment i: Minutes for the Board of Directors Meeting on April 25, 2014

Attachment ii: Minutes for the Board of Directors Meeting on June 13, 2014

Prepared By: Eriko K Dreyer, Pro Tem Administrative Services Coordinator
Date Prepared: August 4, 2014

- THIS PAGE INTENTIONALLY LEFT BLANK -

A regular meeting of the Board of Directors of the Santa Cruz Metropolitan Transit District was convened on Friday, April 25, 2014 at the Watsonville City Council Chambers, 275 Main Street, Watsonville, California 95076 at 9:00 a.m.

SECTION I: OPEN SESSION

1. CALL TO ORDER

Chair Bustichi called the meeting to order at 9:04 a.m.

2. ROLL CALL

The following Directors were present:

- Director Hilary Bryant
- Director Dene Bustichi
- Director Karina Cervantez
- Director Daniel Dodge
- Director Zach Friend
- Director Ron Graves
- Director Michelle Hinkle
- Director Deborah Lane
- Director John Leopold
- Director Bruce McPherson
- Director Lynn Robinson
- Ex-Officio Director Donna Blitzer

STAFF PRESENT

Leslie R. White, Secretary/General Manager
 Leslyn K. Syren, District Counsel

SANTA CRUZ METRO EMPLOYEES AND MEMBERS OF THE PUBLIC WHO VOLUNTARILY INDICATED THEY WERE PRESENT

Erron Alvey, Purchasing Manager
 Joan Jeffries, Purchasing Admin
 Angela Aitken, Finance Manager
 Robert Cotter, Maintenance Manager
 Will Regan, President VMU
 Amy Weiss, Interpretation
 Maria Esther Rodrigez

Liseth Guizar, Security & Risk Administrator
 Elmer Torres, Facilities

3. ANNOUNCEMENTS

Chair Bustichi announced the meeting was broadcasted by Community Television and introduced Amy Weiss as the translator. Ms. Weiss addressed the assembly in Spanish and offered her services to those who need Spanish interpretation.

4. COMMUNICATIONS TO THE BOARD OF DIRECTORS

Chair Bustichi acknowledged a letter sent to the board from Nancy Hardy and a petition regarding Watsonville service. Ms. Syren stated that as the petition was in Spanish and Ms. Liseth Guizar, Security and Risk Administrator, provided oral translation from Spanish to English

5. LABOR ORGANIZATION COMMUNICATIONS

Eduardo Montesino, on behalf of Bus Operators and Paratransit, extended congratulations to the General Manager, Les White, as this was one of his last Board meetings. He extended his thanks to Mr. White for all his years of service.

6. ADDITIONAL DOCUMENTATION TO SUPPORT EXISTING AGENDA ITEMS

Mr. White drew attention to the short bio on Carolyn Chaney and her accomplishments that accompanied item 10.

CONSENT AGENDA

- 7-1. ACCEPT AND FILE PRELIMINARY APPROVED CLAIMS FOR THE MONTH OF FEBRUARY 2014**
- 7-2. ACCEPT AND FILE MONTHLY BUDGET STATUS REPORTS YEAR TO DATE AS OF FEBRUARY 28, 2014**
- 7-3. ACCEPT AND FILE MONTHLY ACCESSIBLE SERVICES REPORT FOR FEBRUARY 2014**
- 7-4. ACCEPT AND FILE VOTING RESULTS FROM APPOINTEES TO THE SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION FOR PREVIOUS MEETINGS**
- 7-5. ACCEPT AND FILE STATUS REPORT OF ACTIVE GRANTS AND SUBMITTED GRANT PROPOSALS FOR APRIL 2014**
- 7-6. ACCEPT AND FILE METROBASE STATUS REPORT FOR APRIL 2014**
- 7-7. ACCEPT AND FILE METRO PARACRUZ OPERATIONS STATUS REPORT FOR FEBRUARY 2014**
- 7-8. ACCEPT AND FILE SANTA CRUZ METRO SYSTEM RIDERSHIP REPORT FOR MARCH 2014**
- 7-9. CONSIDERATION OF AWARD OF CONTRACT WITH ENVIRONMENTAL LOGISTICS INC. FOR INDUSTRIAL WASTE REMOVAL SERVICES AND INDUSTRIAL WASTE EMERGENCY RESPONSE SERVICES IN AN AMOUNT NOT TO EXCEED \$64,000**

- 7-10. CONSIDERATION OF REJECTING BIDS FROM ARAMARK UNIFORM & CAREER APPAREL, LLC AND G&K SERVICES, AND AWARD OF CONTRACT WITH UNIFIRST CORPORATION FOR UNIFORMS, FLAT GOODS, AND LAUNDRY SERVICE IN AN AMOUNT NOT TO EXCEED \$37,000**
- 7-11. CONSIDERATION OF ISSUING A FORMAL REQUEST FOR PROPOSALS FOR SUPPLEMENTAL PARATRANSIT SERVICES**
- 7-12. CONSIDERATION OF APPROVAL OF SPONSORSHIP TO THE BAND BOOSTERS OF SANTA CRUZ HIGH SCHOOL**
- 7-13. CONSIDERATION OF ADOPTION OF SANTA CRUZ METRO'S PROCUREMENT POLICY**

Director Lane requested to have item 7-12 moved from Consent Agenda which was approved by Chair Bustichi and changed from Consent item 7-12 to regular agenda 8A.

ACTION: MOTION: DIRECTOR LANE SECOND: DIRECTOR FRIEND

CONSENT AGENDA APPROVED WITH ITEM 7-12 MOVED TO REGULAR AGENDA AND DESIGNATED 8A.

MOTION PASSED UNANIMOUSLY WITH DIRECTORS BRYANT, LEOPOLD, AND ROBINSON BEING ABSENT.

REGULAR AGENDA

- 8A. CONSIDERATION OF APPROVAL OF SPONSORSHIP TO THE BAND BOOSTERS OF SANTA CRUZ HIGH SCHOOL**

Director Lane moved the item to publicly thank Mr. White for his generosity.

Public Comment:

None.

ACTION: MOTION: DIRECTOR LANE SECOND: DIRECTOR HINKLE

APPROVAL OF SPONSORSHIP TO THE BAND BOOSTERS OF SANTA CRUZ HIGH SCHOOL.

MOTION PASSED UNANIMOUSLY WITH DIRECTORS BRYANT, LEOPOLD, AND ROBINSON BEING ABSENT.

Mr. White reminded the Board that following the meeting, METRO Center Santa Cruz was hosting a celebration of the 10th anniversary of the consolidation of Highway 17, AMTRAK and CalTrain service and the 25th anniversary of Highway 17 service.

- 8. PRESENTATION OF EMPLOYEE LONGEVITY AWARDS**

7-1i.3

Director Bustichi presented a longevity award for 10 years of service to Juan Gallegos who in turn came to the podium to thank Santa Cruz METRO and the Board.

Director Bustichi presented a longevity award to Elmer Torrez for his 15 year anniversary. Mr. Torrez expressed his thanks to the Board.

Mr. White stated the third award recipient, Isaac Holly, was not in attendance and he hoped to present the award to Mr. Holly at another date.

Public Comment:

None.

9. APPRECIATION RESOLUTION FOR MARGARITA ALEJO

Mr. White spoke about Margarita Alejo and her contribution and guidance to Santa Cruz METRO her during her time on the Board and recommended approval for her resolution. Ms. Alejo was not present.

ACTION: MOTION: DIRECTOR FRIEND SECOND: DIRECTOR HINKLE

Chair Bustichi spoke of Ms. Alejo as a valuable asset to the Board and an advocate for the City of Watsonville, Watsonville Transportation and the needs of county.

Public Comment:

None.

APPROVAL OF THE RESOLUTION FOR MARGARITA ALEJO.

MOTION PASSED UNANIMOUSLY WITH DIRECTORS BRYANT, LEOPOLD, AND ROBINSON BEING ABSENT.

10. HONOR RESOLUTION FOR CAROLYN CHANEY

Mr. White expressed his sadness at the loss of Carolyn Chaney. He spoke of the projects she tirelessly worked on with Santa Cruz METRO and that the programs' successes were all a result of Ms. Chaney's contribution. Mr. White stated the system and community as a whole was much better for the service and advocacy she provided. Mr. White introduced Cecile Cirillo, who spoke of her relationship with Ms. Chaney and expressed her sadness at Ms. Chaney's passing. Ms Cirillo stated that there was a scholarship in her name at Allegheny College to students who studied public sector. She thanked the board for considering the resolution.

Director Dodge acknowledged Ms. Chaney's service and spoke to her contributions to Santa Cruz METRO and the community. He stated he felt it was an honor and pleasure to have known her.

Public Comment:

None.

ACTION: MOTION: DIRECTOR DODGE SECOND: MCPHERSON

Chair Bustichi acknowledged Ms. Chaney’s service and shared his experience saying she engaged decision makers and their staff in a way that they would not have been possible without her.

APPROVAL OF THE HONOR RESOLUTION FOR CAROLYN CHANEY.

MOTION PASSED UNANIMOUSLY WITH DIRECTORS BRYANT, LEOPOLD, AND ROBINSON BEING ABSENT.

11. APPRECIATION OF SHIRLEY HARDING

April Warnock, Paratransit Superintendent, referred to an article in the Santa Cruz Sentinel about ParaCruz Customer, Ms. Shirley Harding and how she made baby clothes, blankets, and hats and sends them to needy children in Uganda and Romania. Ms. Warnock asked the Board to approve granting Ms. Harding 20 prepaid coupons to Ms. Harding to acknowledge her work and her positive endorsement of ParaCruz.

Director McPherson shared his association with Ms. Harding and described both her and her work as phenomenal. He stated he was in support of the item.

Public Comment:

None.

ACTION: MOTION: MCPHERSON SECOND: GRAVES

APPROVAL TO PROVIDE MS. SHIRLEY HARDING WITH 20 PREPAID COUPONS.

MOTION PASSED UNANIMOUSLY WITH DIRECTORS BRYANT, LEOPOLD, AND ROBINSON BEING ABSENT.

12. RECEIVE A STATUS REPORT AND PRESENTATION ON THE WATSONVILLE TRANSIT CENTER RENOVATION

Liseth Guizar, Security and Risk Administrator, addressed the assembly by thanking Mr. White for his service, mentorship and friendship.

Ms. Guizar gave a presentation on the Watsonville Transit Center sharing the creation of the center and its current challenges. Ms. Guizar shared design options resulting from a study by stated B+U, the contracted architectural and engineering firm, and asked for the Board’s guidance.

Director Friend asked for clarification that the plans were not mutually exclusive and requested the cost to research the expansion. Ms Guizar replied that to move forward they had to increase the scope of the contract which would mean an additional \$28K. Mr. White stated that the ask was for a change order of a rounded up \$30K which would enable B+U to increase the scope of services to pursue design of an expanded site and would be able to present to the Board a wider range of options and their challenges.

Director McPherson asked staff if there would be significant increased ridership warranting an expanded option. Mr. White answered in the positive. She stated an assumption was that there will be increased ridership and need for more bus bays.

Director McPherson asked if the \$30K included both options. Mr. White stated that it was for pursuing the expanded site design. Mr. White stated that at a minimum, there had to be reconstruction, but that the \$30K would allow the design group to pursue the expanded site options.

Director Dodge expressed his support for the item and request. He also encouraged staff to look at expanding service as well as the transit center. He said he had engaged the surrounding property owners and they seemed open.

Chair Bustichi asked Director Dodge if the topic had been discussed in a Watsonville City Board meeting. Director Dodge replied there was a presentation given regarding the station but they had not had a public hearing. Ms. Guizar stated she spoke to individuals of the Watsonville Board and they were in favor of the renovation.

Director Lane wanted to make sure that plans included space for a full time Customer Service Representative.

Chair Bustichi asked if pursuing a Tiger Grant for this project meant sacrificing other plans. Mr. White answered that the only projects applicable to a Tiger Grant would be the Pacific Station and Watsonville Station construction. He said both projects would not compete with each other. Director McPherson clarified what a Tiger Grant was. Ms. Guizar stated that it might be possible to do both the Pacific Station & Watsonville Station renovation, showing them as an interrelated project.

Chair Bustichi encouraged further community outreach before making a decision on approval of pursuing an expanded site design. Mr. White agreed that postponement would be a good decision.

Director Cervantez disagreed with a postponement and stated there has been support for downtown revitalization which encouraged interdepartmental collaboration.

Mr. White recommended approval of continued pursuit of redevelopment options including a change order, not to exceed \$30K, to pursue the expanded site option.

Director Graves agreed with Chair Bustichi, stating he felt there should be agreement with the local government and property owners before the Board should make a decision on the \$30K. He suggested that the Board support the presentation as given and ask that the Watsonville City Council hold a meeting with the stakeholders involved before bringing it back to the Board to approve the additional money.

Director McPherson questioned if the postponement would critically affect the project. He encouraged the Board to move forward unanimously on this request.

Director Dodge reiterated his support for this item and encouraged the Board to follow whatever process needs to happen in order to move forward on this agenda item.

Chair Bustichi asked if a 30 day delay was decisive to the project. Ms. Guizar stated the delay would not make or break the project but encouraged the Board to allow them to pursue the designs so as to present a more complete design option to the City Council.

Chair Bustichi suggested approving this item with the condition that the expanded project be approved by the Watsonville City Council.

Director Lane questioned the last paragraph of the Staff Report in regards to the \$30K coming from the Capital Budget. Angela Aitken, Finance Manager, stated the \$30K would be coming from reserves.

Chair Bustichi stated that while in favor of revitalizing Watsonville, he did not support the option to pursue designs that may not be wanted by the community. He stated he wanted to have a public hearing and discussion with the council first to make sure expansion was a viable option before spending resources on pursuing a project that cannot be completed.

Director Dodge expressed his concern that an initial short delay may lead to a longer postponement.

Director Friend put forth a Friendly Amendment to approve the Change Order of up to \$30K on the condition that the Watsonville City Council hold a public meeting and approve the moving forward to expand beyond the existing property into private land.

Public Comment:

Mr. Montesino and Ms. De Leon spoke in favor of the expansion and development of the project.

ACTION: MOTION: CHAIR BUSTICHI SECOND: DIRECTOR GRAVES

APPROVAL OF A CHANGE ORDER REQUEST OF \$30K ON THE CONDITION THAT WATSONVILLE CITY COUNCIL HOLD A PUBLIC MEETING AND APPROVE THE MOVING FORWARD TO EXPAND BEYOND THE EXISTING PROPERTY INTO PRIVATE LAND.

7-1i.7

MOTION PASSED UNANIMOUSLY WITH DIRECTORS BRYANT, LEOPOLD, AND ROBINSON BEING ABSENT.

8. CONSIDERATION OF A REQUEST TO PROVIDE TRAVEL FINANCIAL SUPPORT TO ALLOW ME (DIRECTOR DANIEL DODGE) TO ACCEPT THE POSITION OF CHAIR OF THE AMERICAN PUBLIC TRANSPORTATION ASSOCIATION ENGAGEMENT AND MEMBERSHIP SUBCOMMITTEE

Director Dodge put forth a request to accept the position of Chair of the committee and approve an addition of \$9K allowing him to travel to the APTA conferences.

Director Friend asked Finance if there was a line item for the Board's travel. Ms. Aitken replied that there was and she would get back to the Board with the amount.

Chair Bustichi stated that although he supported Director Dodge accepting the position of Chair, he could not approve the additional cost of travel.

Director McPherson stated he was not ready to vote on this item.

Director Lane spoke in support and motioned to accept the request.

Public Comment:

None.

ACTION: MOTION: CHAIR BUSTICHI SECOND: DIRECTOR GRAVES

Director Friend requested that a specific budget amount be set and that the Board stay within the parameters.

Ms. Aitken returned to the Board, stating the Board travel was set for \$15,700. Mr. White stated that the amount was set for an estimated value of two members of the Board, the Chair and Vice-Chair, to attend the meetings.

CONSIDERATION OF A REQUEST TO PROVIDE TRAVEL FINANCIAL SUPPORT TO ALLOW ME (DIRECTOR DANIEL DODGE) TO ACCEPT THE POSITION OF CHAIR OF THE AMERICAN PUBLIC TRANSPORTATION ASSOCIATION ENGAGEMENT AND MEMBERSHIP SUBCOMMITTEE

MOTION DID NOT PASS WITH AYES FROM DIRECTORS CERVANTEZ, DODGE AND LANE AND NAYS FROM DIRECTORS BUSTICHI, FRIEND, GRAVES, HINKLE AND MCPHERSON.

Director Friend made a motion to provide a set number for the travel budget and increase the \$15,700 to \$20K and to stick to that amount.

Director Hinkle seconded the motion.

In deference to the budget, Chair Bustichi offered to not attend any meetings and have Director Dodge go in his stead as opposed to raising the amount.

Director Friend withdrew his motion to increase the budgeted amount.

Ms. Syren informed the Board that according to their bylaws, the Board would need to approve all of Director Dodge's requested meetings. Director Friend requested staff to amend the bylaws that at the discretion of the Chair and Vice-Chair that other members of the Board can attend a meeting in their stead. Ms. Syren agreed to change the bylaws.

Director Dodge requested clarification on the rejection of the consideration.

Chair Bustichi confirmed that Director Dodge was approved to accept the position of Chair of the American Public Transportation Association Engagement and Membership Subcommittee but that there was no guarantee of funding.

9. REVIEW OF ITEMS TO BE DISCUSSED IN CLOSED SESSION

Ms. Syren reviewed the items to be discussed in Closed Session and announced there would be no need to reconvene to Open Session.

10. ANNOUNCEMENT OF NEXT MEETING: FRIDAY MAY 9, 8:30 AM, SANTA CRUZ METRO ADMINISTRATIVE OFFICES, 110 VERNON STREET, SANTA CRUZ

Chair Bustichi announced the next meeting on Friday May 9, 8:30 am, Santa Cruz Metro Administrative Offices, 110 Vernon Street, Santa Cruz.

11. ADJOURNMENT

Meeting adjourned at 10:59.

Respectfully submitted by:
Eriko K. Dreyer, Pro-Tem Administrative Services Coordinator

- THIS PAGE INTENTIONALLY LEFT BLANK -



BOARD OF DIRECTORS

A regular meeting of the Board of Directors of the Santa Cruz Metropolitan Transit District was convened on Friday, June 13, 2014 at the Santa Cruz METRO Administrative Offices, located at 110 Vernon Street, in Santa Cruz, California.

SECTION I: OPEN SESSION

1. CALL TO ORDER

Vice-Chair Robinson called the meeting to order at 8:34 a.m.

2. ROLL CALL

The following Directors were present:

- Director Hilary Bryant
- Director Dene Bustichi
- Director Karina Cervantez
- Director Daniel Dodge
- Director Zach Friend
- Director Ron Graves
- Director Michelle Hinkle
- Director Deborah Lane
- Director John Leopold
- Director Bruce McPherson
- Director Lynn Robinson
- Ex-Officio Director Donna Blitzer

STAFF PRESENT

Alex Clifford, CEO
Leslyn K. Syren, District Counsel

SANTA CRUZ METRO EMPLOYEES AND MEMBERS OF THE PUBLIC WHO VOLUNTARILY INDICATED THEY WERE PRESENT

Angela Aitken, Santa Cruz METRO
Veronica Elsea
Len Burns
Joseph Martinez
Thomas Hiltner, Santa Cruz METRO
Liseth Guizar, Santa Cruz METRO
Claire Fliesler, Santa Cruz METRO

Carolyn Derwing, SEA
April Warnock, ParaCruz

3. ANNOUNCEMENTS

Chair Bustichi announced that the Closed Session would be moved to follow the Consent Agenda.

4. COMMUNICATIONS TO THE BOARD OF DIRECTORS

Veronica Elsea and Len Burns addressed the Board and public. They expressed concern over the ADA compliance with the Ticket Vending Machine (TVM's). Mr. Burns requested that Mr. Clifford create a timetable for resolving the issue.

Director Dodge arrived at 8:42 a.m.

Mr. Clifford stated Santa Cruz METRO has been assured that the TVM's were compliant. Chair Bustichi also acknowledged the machines were ADA Compliant and that METRO takes strides to be ADA friendly as well.

5. LABOR ORGANIZATION COMMUNICATIONS

Eduardo Montesino said he had been hearing requests from passengers about extending holiday service such as the 4th of July and Christmas. He inquired if the Board would consider providing Fixed Rout service on holidays.

6. ADDITIONAL DOCUMENTATION TO SUPPORT EXISTING AGENDA ITEMS

Mr. Clifford brought attention to handouts of the outline of his oral presentation, Item 15, for which copies were also available to the public.

CONSENT AGENDA

7-1. ACCEPT AND FILE PRELIMINARILY APPROVED CLAIMS FOR THE MONTH OF MARCH 2014

7-2. MONTHLY BUDGET STATUS REPORTS YEAR TO DATE AS OF MARCH 31, 2014

7-3. APPROVE MINUTES OF BOARD OF DIRECTORS MEETINGS

i. Meeting of March 20, 2014

ii. Meeting of May 23, 2014

7-4. CONSIDERATION OF ACCEPTING DONATION OF KONICA MINOLTA BIZHUB 750 COPIER FROM CENTRAL CONTRA COSTA TRANSIT AUTHORITY IN CONCORD, CALIFORNIA

7-5. CONSIDERATION OF AWARD OF CONTRACT WITH MSF&W CONSULTING, INC. FOR CONSULTANT SERVICES TO ASSESS AND MONITOR SANTA CRUZ METRO'S WEBSITE FOR ADA COMPLIANCE IN AN AMOUNT NOT TO EXCEED \$30,000

7-6. CONSIDERATION OF AWARD OF CONTRACT WITH BIOMAAS, INC. FOR BIOLOGICAL MONITORING SERVICES FOR OUTFALL CONSTRUCTION IN AN AMOUNT NOT TO EXCEED \$30,000

7-7. CONSIDERATION OF RATIFICATION OF THE ACTIONS OF THE MAINTENANCE MANAGER AND AUTHORIZATION OF A PAYMENT IN THE AMOUNT OF \$10,989 TO COASTWIDE ENVIRONMENTAL TECHNOLOGIES, INC.

7-8. RENEWAL OF LIABILITY AND VEHICLE PHYSICAL DAMAGE INSURANCE PROGRAM COVERAGE WITH CALTIP FOR FY15

Director Dodge requested further information on Item 7-4. Mr. Clifford and Erron Alvey responded that the donated machine was younger model, had increased functionality, and would be good for approximately 5 years.

Public Comment

None.

ACTION: MOTION: DIRECTOR BUSTICHI SECOND: DIRECTOR GRAVES

APPROVE CONSENT AGENDA.

MOTION PASSED UNANIMOUSLY WITH DIRECTORS CERVANTEZ AND MCPHERSON BEING ABSENT.

Closed Session was moved to follow the Consent Agenda which subsequently moved Item 16.

16. REVIEW OF ITEMS TO BE DISCUSSED IN CLOSED SESSION

Leslyn Syren, District Counsel, announced the items to be discussed in closed session.

Adjourned to Closed Session at 9:14 a.m.

SECTION II: CLOSED SESSION

1. CONFERENCE WITH LABOR NEGOTIATORS

(Pursuant to Government Code Section 54957.6)

Agency Representative: Robyn Slater, HR Manager

Employee Organizations: UTU Local 23 (Fixed Route and ParaCruz) and SEIU Local 521

2. PUBLIC EMPLOYEE DISCIPLINE/DISMISSAL/RELEASE

(Pursuant to Government Code Section 54957)

Agency Negotiator: Leslyn K. Syren, District Counsel

**3. CONFERENCE WITH REAL PROPERTY NEGOTIATORS (Government Code section 54956.8) –
PROPERTY: 333 FRONT STREET**

Agency Negotiators: Leslyn K. Syren, District Counsel

Alex Clifford, CEO/General Manager

Negotiating Party: NIAC (owners)

Under Negotiation: Price/Terms

SECTION III: RECONVENE TO OPEN SESSION

Reconvened to Open Session at 9:40 a.m.

REGULAR AGENDA

In consideration of time, Items 10, 11 and 12 were presented before Item 8.

10. CONSIDERATION OF APPOINTMENT OF ERNESTINA SALDANA TO THE METRO ADVISORY COMMITTEE (MAC) FOR A TERM OF OFFICE ENDING JUNE 12, 2016

Director Graves presented the nomination of appointment of Ms. Saldana. Director Graves and Director Lane supported the nomination and thanked her for her contributions.

Public Comment

None.

ACTION: MOTION: LEOPOLD SECOND: LANE

ERNESTINA SALDANA APPOINTED TO THE METRO ADVISORY COMMITTEE (MAC) FOR A TERM OF OFFICE ENDING JUNE 12, 2016

MOTION PASSED UNANIMOUSLY WITH DIRECTORS CERVANTEZ AND MCPHERSON BEING ABSENT.

11. CONSIDERATION OF APPOINTMENT OF JOSEPH MARTINEZ TO THE METRO ADVISORY COMMITTEE (MAC) FOR A TERM OF OFFICE ENDING JUNE 12, 2016

Director Lane presented the nomination of appointment for Joseph Martinez. Director Dodge AND Vice-Chair Robinson extended a welcome to MAC.

Public Comment

None.

ACTION: MOTION: GRAVES SECOND: LEOPOLD

JOSEPH MARTINEZ APPOINTED TO THE METRO ADVISORY COMMITTEE (MAC) FOR A TERM OF OFFICE ENDING JUNE 12, 2016

MOTION PASSED UNANIMOUSLY WITH DIRECTORS CERVANTEZ AND MCPHERSON BEING ABSENT.

12. CONSIDERATION OF REAPPOINTMENT OF NAOMI GUNTHER TO THE METRO ADVISORY COMMITTEE (MAC) FOR A TERM OF OFFICE ENDING JUNE 18, 2016

Director Bryant presented the nomination of reappointment for Naomi Gunther and acknowledged and thanked Ms. Gunther for her years of service.

Public Comment

None.

ACTION: MOTION: BRYANT SECOND: DODGE

JOSEPH MARTINEZ APPOINTED TO THE METRO ADVISORY COMMITTEE (MAC) FOR A TERM OF OFFICE ENDING JUNE 12, 2016

MOTION PASSED UNANIMOUSLY WITH DIRECTORS CERVANTEZ AND MCPHERSON BEING ABSENT.

8. ORAL REPORT REGARDING THE STATUS OF CONSTRUCTION ON THE JUDY K. SOUZA OPERATIONS FACILITY COMPONENT OF THE METROBASE PROJECT

Frank Cheng, Project Manager/IT Manager, gave a presentation covering the current status of the project.

Director Leopold expressed concern regarding drainage from the site into the nearby river. Mr. Cheng assured him that any water waste was and would continue to be treated and monitored through the project.

Director Dodge asked where the project was in regards to the Change Orders. Mr. Cheng stated the contractor had recently given them the numbers and they were in the process of analyzing the components.

Public Comment

None.

9. CONSIDERATION OF RESOLUTION TO MODIFY THE BOARD OF DIRECTORS MEETING SCHEDULE FOR 2014

Angela Aitken, Finance Manager, presented the changes to the Meeting Schedule.

Director Lane expressed concern about accessibility for those who are mobility challenged at the Scotts Valley City Chambers.

Public Comment

None.

ACTION: MOTION: BUSTICHI SECOND: FRIEND

Director Leopold and staff discussed alternative and possibly more accessible locations including Capitola City Chambers and the Scotts Valley Community Center. Director Friend stated he would like to keep Scotts Valley as a location for meetings and inquired into the possibility of providing a shuttle.

Chair Bustichi assured the Board that Scotts Valley Chamber was ADA accessible and compliant and acknowledged the issue may be the location of the bus stop and the service in Scotts Valley. He requested to add additional service in Scotts Valley to a future Board meeting.

Director Friend moved to amend the motion to include a shuttle service. Director Bustichi expressed his support.

ADJUSTED ACTION: MOTION: BUSTICHI SECOND: FRIEND

APPROVED RESOLUTION TO MODIFY THE BOARD OF DIRECTORS MEETING SCHEDULE FOR 2014 WITH THE PROVISION OF ADDING A SHUTTLE FOR THE SCOTTS VALLEY MEETING.

MOTION PASSED UNANIMOUSLY WITH DIRECTORS CERVANTEZ AND MCPHERSON BEING ABSENT.

13. RECEIVE A PRESENTATION ON THE STATUS OF PACIFIC STATION REDESIGN

Tom Hiltner, Grants/Legislative Analyst, introduced David M. Schnee with Group 4 Architects. Mr. Schnee's reviewed what had been done in the past, where they were with the project and where Group 4 envisioned for the project. He presented a timeline that included increased availability and communication to the Board. Mr. Schnee stated they were in the process of working on a feasibility study which would include allocation of funding with partners and cost market analysis and possible site expansion. He stated they would be bringing the results of this study at a later Board meeting.

Chair Bustichi stated the Board was in support of the project and suggested appointing of an ad hoc Subcommittee to meet regularly with planning and construction. After some discussion, it was decided to add this to the June 27 Board Agenda.

Public Comment

None.

14. CONSIDERATION OF APPROVAL AND ADOPTION OF THE 2013 SHORT RANGE TRANSIT PLAN

Erich Friedrich, Senior Transit Planner, requested approval for the 2013 Short Range Transit Plan and referred to the partnership with Nelson\Nygaard. He introduced Mr. Thomas Whitman of Nelson/Nygaard to present the findings and recommendations.

Director Lane expressed concern about changes to ParaCruz services. Mr. Whitman replied the recommendations for ParaCruz included implantation of penalty charges and creation of a plan allowing Reservationists to evaluate whether or not a passenger would qualify for ParaCruz or if they would be able to take advantage of the Fixed Route System. Director Lane inquired if the Reservationists had the access to software that would help them make that determination. Mr. Friedrich replied that they do not.

Director Leopold expressed concern about the Transit Plan becoming a policy that would exclude mid-county areas such as Live Oak for improvement. He referred to the portion of the study that suggested

the creation of Emphasis Corridors which for which Live Oak, did not qualify despite having met most of the criteria. Mr. Whitman stated the plan did not exclude areas, just establish an implementation plan. Director Leopold reiterated his concern about using this plan as a basis to create policy that would leave out areas of the community.

Director Leopold asked about bus stop spacing as laid out in the plan and inquired if Nelson/Nygaard had interviewed the Operators. Mr. Whitman stated that they had and the biggest concern of the Operators was On-Time Performance. Mr. Whitman stated one of the most successful and cost effective methods of improving this is with bus stop consolidation. Director Leopold asked how the consolidation would affect ParaCruz customers. Mr. Whitman stated it would not affect ParaCruz service.

Director Dodge asked about the expanded service recommendations; particularly in regards to the changes in routes 71 and 91x. His concern was current ridership confusion along the Soquel Avenue corridor. Director Dodge also requested increased use of shelters in South County. Mr. Whitman stated the change in routes shifted emphasis to gaining ridership and faster routes. In reference to the bus shelters, Mr. Whitman stated they were still in the process of gathering data to establish the needs and to which order they are met. Director Dodge also expressed concern about how the expanded service would affect ParaCruz.

Director Lane inquired about how the corridors were established, particularly in reference to the more remote and rural portions of the community. She also expressed concern about the request to implement the plan in a short timeframe, especially when there was insufficient data. Mr. Whitman replied that the Short Range Transit Plan was a suggestion of procedures and any change to the system would require several steps, including a public process, before any changes were made.

Chair Bustichi acknowledged the plan was an improvement from the previous version. He acknowledged the concerns that were raised and confirmed there would be public process before any changes would be made. He encouraged the Board to move forward with the plan.

Vice-Chair Robinson acknowledged it was not a perfect plan and if changes occur in the community, they can implement changes as they come. She recognized an area may have attributes that qualify it for increased service, yet the functionality and infrastructure may not be able accommodate it.

Public Comment:

Ernestina Saldana, representing the Santa Cruz County Commission of disabilities, asked the Board to make their best decision, taking consideration to the disabled and elderly community. She shared her concerns about not stopping at bus stops even though there are passengers there.

Mr. Montesino acknowledged that On-Time-Performance is an important issue but that Bus Operators would never advocate taking away bus stops.

Manny Martinez remembered the old plan and its deficiencies. He acknowledged that this was a better plan than the previous version. He objected to having a company that had a short relationship with Santa Cruz METRO make decisions. He suggested including staff and other employees to determinations on changes to the system.

Director Friend stated he saw this as a planning document that was not set in stone. He acknowledged that changes happen and adjustments can be made as needs occur.

ACTION: MOTION: FRIEND SECOND: BUSTICHI

APPROVAL AND ADOPTION OF THE 2013 SHORT RANGE TRANSIT PLAN

MOTION PASSED WITH YEAS FROM DIRECTORS BRYANT, BUSTICHI, DODGE, FRIEND, GRAVES, HINKLE AND ROBINSON; NAYS FROM DIRECTORS LEOPOLD AND LANE; AND DIRECTORS CERVANTEZ AND MCPHERSON BEING ABSENT.

15. ORAL REPORT REGARDING THE STATUS OF FEDERAL AND STATE LEGISLATION AND CURRENT LEGISLATIVE ISSUES

Mr. Clifford gave an oral presentation. The Board thanked him for the information and complimented him on the format used by Mr. Clifford in his outline.

Director Friend left the meeting at 11:35 a.m.

Public Comment

None.

17. ANNOUNCEMENT OF NEXT MEETING: FRIDAY, JUNE 27, 9:00 AM, SANTA CRUZ CITY COUNCIL CHAMBERS, 809 CENTER STREET, SANTA CRUZ

Vice-Chair Robinson announced the time and location of the next Board meeting on Friday, June 27, 2014 at 9:00 a.m. at the Santa Cruz City Council Chambers.

18. REPORT OF CLOSED SESSION

Ms. Syren announced that there was nothing to report from closed session.

19. ADJOURNMENT

Vice-Chair Robinson adjourned the meeting at 11:47 a.m.

Respectfully submitted by:
Eriko K. Dreyer, Pro-Tem Administrative Services Coordinator

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: August 8, 2014

TO: Board of Directors

FROM: Erron Alvey, Purchasing Manager

SUBJECT: CONSIDERATION OF AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE A CONTRACT AMENDMENT WITH MIKE STANGE FOR INTERIM FLEET MAINTENANCE MANAGEMENT SERVICES IN AN ADDITIONAL AMOUNT NOT TO EXCEED \$75,000

I. RECOMMENDED ACTION

Authorize the Chief Executive Officer to execute a contract amendment with Mike Stange to increase the contract amount for interim Fleet Maintenance Management Services in an additional amount not to exceed \$75,000.

II. SUMMARY

- Santa Cruz METRO has a contract with Mike Stange for Interim Fleet Maintenance Management Services to cover this vacant position. This contract was established with a not-to-exceed amount of \$50,000.
- This position will remain vacant longer than originally anticipated. Santa Cruz METRO would like to request that Mr. Stange remain covering the position until a permanent manager is hired. Therefore, a contract amendment authorizing additional funding would be required.

III. DISCUSSION

Santa Cruz METRO has a contract with Mike Stange for Interim Fleet Maintenance Management Services due to the vacancy of the Maintenance Manager position.

Given the unanticipated retirement of the former Maintenance Manager, the Chief Executive Officer (“CEO”) moved quickly to use his contract authority to hire a seasoned maintenance professional as a temporary employee to become the Acting Maintenance Manager. Mr. Stange started work on June 16, 2014 and it is anticipated that the CEO’s authority will be exhausted on August 15, 2014.

This contract was established with a not to exceed value of \$50,000 based on anticipated needs at the time. This amount is within the CEO’s contracting authority. A contract amendment with a value of \$75,000 requires approval of the Board of Directors.

Staff recommends that the Board of Directors authorize the CEO to execute a contract amendment on behalf of Santa Cruz METRO. Robyn D. Slater, Human Resources Manager, will continue to serve as the Contract Administrator and will ensure contract compliance.

The CEO has completed the first round of interviews which did not result in a candidate of choice. The next round of interviews is expected to take place soon. Further, it is the hope of the CEO that Mr. Stange will be able to stay on for the first month after the new Maintenance Manager is hired to assist in his/her transition.

IV. ALTERNATIVES

- Do nothing – Mr. Stange’s work with Santa Cruz METRO would end on approximately August 15, 2014.

The Board of Directors could decide to not authorize the extension of this contract and direct the CEO to have an existing manager provide coverage for this position. This is not the recommended action due to the technical skills required to manage Santa Cruz METRO’s Fleet Maintenance Department and the current workload capacity of the managers.

- Seek another temporary employee to fill the position of Acting Maintenance Manager.

Not recommended as this may be not only a time consuming undertaking, but will result in a new Acting Maintenance Manager having to lose valuable time during his/her learning curve cycle.

- Reduce Mr. Stange’s work hours to stretch the current authority for as long as possible.

Not recommend because as of the date this item is expected to be heard, Mr. Stange will have an estimated 40 hours of authority remaining on his contract.

V. FINANCIAL CONSIDERATIONS

This action would authorize additional funds in the amount of \$75,000 for a new total not to exceed value of \$125,000. Funds to support this contract are included in the Fleet Maintenance Operating Budget within the Labor and Fringe account due to the vacant Maintenance Manager position.

Labor and benefits savings from the vacant Maintenance Manager position for the period of July 1, 2014 – October 31, 2014 are expected to be \$68,410. The cost of Mr. Stange’s billable hours plus his mileage to and from southern California are covered by this request and come from account #1100-503041, Temporary Help. Santa Cruz METRO also pays for Mr. Stange’s temporary housing (\$3,240/month) which is covered separately from this request under account #1100-503031, Professional/Technical.

VI. ATTACHMENTS

- Attachment A:** Contract Amendment with Mike Stange
Attachment B: Mike Stange's Resume
Attachment C: Personal Services Agreement

Prepared By: Erron Alvey, Purchasing Manager
Date Prepared: July 28, 2014

APPROVED:



Robyn D. Slater, Human Resources Manager and Interim Facilities Maintenance Manager



Leslyn K. Syren, District Counsel



Alex Clifford, CEO/General Manager

ATTACHMENT A

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT FIRST AMENDMENT TO PERSONAL SERVICES AGREEMENT FOR INTERIM FLEET MAINTENANCE MANAGEMENT SERVICES

This First Amendment to Personal Services Agreement for Interim Fleet Maintenance Management Services is made effective August 11, 2014 between the Santa Cruz Metropolitan Transit District ("Santa Cruz METRO"), a public agency, and Michael Stange ("EMPLOYEE").

I. RECITALS

- 1.1 Santa Cruz METRO and EMPLOYEE entered into a Contract for Interim Fleet Maintenance Management Services ("Contract") on June 16, 2014.
- 1.2 Santa Cruz METRO and EMPLOYEE desire to amend the Contract to increase the compensation amount allowable for payment to EMPLOYEE.
- 1.3 The Contract allows for modification upon mutual written consent.

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

II. COMPENSATION

- 2.1 The first paragraph of Article 3 TOTAL CONSIDERATION is amended as follows:

The total consideration payable to EMPLOYEE may not exceed the sum of ~~\$50,000~~ **\$125,000** during this engagement without Board approval, including any reimbursable expenses. Reimbursable expenses shall be limited to temporary housing (if not provided by METRO) and mileage between EMPLOYEE's home in Riverside, California and Santa Cruz and back, which shall be reimbursed at the current IRS rate.

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.

EMPLOYEE

By: _____

Michael Stange

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

By: _____

Alexander Clifford
CEO/General Manager

Approved as to Form:

By: _____

Leslyn K. Syren
District Counsel

- THIS PAGE INTENTIONALLY LEFT BLANK -

ATTACHMENT B

Michael L. Stange

16025 Perry Heights Road
Riverside, California 92504

Professional Experience:

5/12-11/13

Los Angeles County Metropolitan Transportation Authority (MTA)
Executive Director, Maintenance

Directly responsible for the maintenance of 2,300 buses at eleven operating divisions, the Central Maintenance facility, which provides heavy and light repair support for all divisions and the Non-Revenue Department that provides 2,020 support vehicles for the entire agency. Additional responsibilities include the Facilities Maintenance Department, rail stations (104) and portal cleanliness, Quality Assurance, Mechanical Instruction, Environmental Compliance and the Headsign and Farebox Departments.

Provide leadership to 3,000 employees including Deputy Executive Officers, Directors and Superintendents and related support staff within the Maintenance Department. Worked closely with the Chief Operations Officer and his team and other executives to ensure the agency's goals and objectives were met. Prepared Board reports and presented to Board and Committee members and local elected officials regarding bus service, safety and station cleanliness.

Worked closely with regulatory agencies to ensure full compliance, specifically with the California Highway Patrol for terminal inspections and with the FTA on triennial audits.

Administered a total combined budget of 380 million dollars and provided strategic planning with executive staff.

1/11-6/12

(MTA) Deputy Executive Officer, Maintenance

Provide direction for ten departments that support bus maintenance/staff and ensured that support contracts totaling 80 million dollars were properly administered. Coordinated work activities to ensure Metro long-range strategic plans were met and yearly KPI's were established.

Represented Metro before public officials, civic leaders and regulatory agencies specifically the California Highway Patrol for the annual terminal inspections and present items before committee members and the full Board.

Worked closely with union officials and ensured the collective bargaining agreements were properly administered.

Administered a total combined budget of 340 million dollars inclusive of 22 outside contracts with a staff compliment of more than 800 FTE's.

1/98-2011

(MTA) Quality Assurance Director

Managed the Quality Assurance Department, which included the Environmental Compliance program throughout the agency. Worked closely with regulatory compliance agencies that included the

ATTACHMENT B

California Highway Patrol, Department of Toxic Substances Control, OSHA and CARB to ensure a safe and compliant work environment for all employees.

Worked closely with the Highway Patrol Motor Carrier Group to ensure all regulations, codes and statutory law were complied with, to ensure a safe fleet, accurate records and a well-managed driver hours-of-service program.

Administered a budget of 33 million dollars with a staff of 110 FTE's.

1990/1998

(MTA) Quality Assurance Manager

Managed the Quality Assurance Department for eleven operating divisions. Responsibilities included but were not limited to bus fires and accident investigations, brake tests, simulated CHP terminal inspections and other related regulatory inspections. Worked closely with OSHA and CARB and updated the divisions when new rules and regulations became law.

Directed technical projects, campaigns, managed formal multi-year contracts and managed KPI's.

Administered a budget of 27 million dollars.

1987/1990

Southern California Rapid Transit District

Equipment Maintenance Manager

Managed three bus operating divisions ranging in size from 120 to 224 buses with a staff of approximately 110 contract employees at each division. Planned, directed and coordinated work for assistant manager and supervisors and established related departmental goals and objectives consistent with company strategic plan.

Worked closely with union representatives, managed the collective bargaining agreement, conducted attendance hearings and assessed discipline from corrective to termination.

1981-1987

Southern California Rapid Transit District

Senior Equipment Maintenance Instructor

- Directed the activities of 12 mechanical instructors at five training facilities for 1,500 bus mechanics.
- Assisted in the development of technical course outlines and lesson plans.
- Assessed, measured and evaluated the effectiveness of training programs.
- Represented the District as a technical expert witness in litigation.
- Participated in professional transit forums throughout North America.

1980-1981

Southern California Rapid Transit District

Maintenance Instructor

- Developed course outlines and lesson plans, taught engine overhaul, wheelchair lift repair, new bus orientation and brake reline.
- Represented the District in court litigation as a technical expert.
- Assisted the operating divisions with recurring mechanical problems.

ATTACHMENT B

Education:

1985 Graduate
University of Redlands, California
Bachelor's Degree in Business Administration

1981
Rio Hondo College
Certificate of Achievement, Industrial Supervision

1984
University of California, Los Angeles
Transportation-Leadership and Management Academy Certificate

1994
U. S. D.O.T., Transportation Safety Institute:
Fundamentals of Bus Collision Investigation
Intermediate Bus Collision Investigation

Authority on Commercial Vehicle Regulations and Matters Regulated:

- Title 13, California Code of Regulations
- Highway Patrol Guides 83.2 and 84.6
- Title 49, Code of Federal Regulations
- Commercial Vehicle Safety Alliance, North American Standard
- CARB, Airborne Toxic Control Measure, idling rule for diesel engines
- CARB, Periodic Smoke Inspection (Opacity Program) for diesel engines
- Driver Hour of Service Regulations (Qualified Instructor)

National Award Recipient:

"Good as Gold" national award recipient for civic involvement. Award received for teaching Basic Automotive Service to single mothers. Nominated by the Los Angeles Times and awarded by Publishers Clearing House special program department in 1998. Featured in People Magazine, June 1998 edition and appeared on Ophra Winfrey show for related work.

Authored Publications:

Authored articles on Commercial Vehicle Law, Tire and Battery Technology and Pest Management for Bus Tech, Fleet Equipment, Fleet News and Passenger Transport magazines.

Membership/Committees:

- Core team member for Environmental Management System (MTA)
- Commercial Vehicle Safety Alliance
- Society of Automotive Engineers #6104047497
- Los Angeles Trade-Technical College, Advisory Committee Member 1987-1990
- Member, Nation Fire Protection Association #2646225
- State certified, Inspection and Maintenance Station, Fleet Owner

ATTACHMENT B

Instructor Credentials:

- Community College Instructor Credential
Subject Matter Area: Automotive and Diesel Mechanics
January 1985 through June 1987
- Associate Staff Instructor, Transportation Safety Institute through the Department of Transportation #TSI06127
- Certified Instructor for Incident Response to Terrorist Bombings awareness level program as administered by New Mexico Institute of Mining and Technology
- Certified in Environmental Management Systems through Virginia Tech by the FTA

Military Service:

United States Navy 1971-1975, Diesel Propulsion Mechanic (Honorable Discharge)

ATTACHMENT C

PERSONAL SERVICES AGREEMENT

This Agreement is made and entered into at Santa Cruz, California, as of June ____, 2014, by and between **SANTA CRUZ METROPOLITAN TRANSIT DISTRICT**, a public agency ("Santa Cruz METRO"), and, **MICHAEL STANGE** ("EMPLOYEE"), who agree as follows:

1. DESCRIPTION OF SERVICES.

EMPLOYEE must provide to Santa Cruz METRO the services at the time, places and in the manner described and under the terms and conditions set forth herein.

EMPLOYEE shall provide management services to Santa Cruz METRO, serving in the capacity of "Interim Fleet Maintenance Manager." A copy of the job description related to this position is attached hereto as Exhibit A to this Agreement.

EMPLOYEE must consult with Alex Clifford, Chief Executive Officer/General Manager, on all matters within the scope of this Agreement. EMPLOYEE shall devote no less than three full days of service each week to the Santa Cruz METRO and shall use his best efforts to provide services under this Agreement. EMPLOYEE shall directly report to the HR Manager, Robyn Slater, who will function as the project manager for this engagement.

2. AT-WILL EMPLOYMENT.

This Agreement is not a guarantee of employment. Any offer of services under this Agreement is at-will of the parties, and may be severed by either party immediately upon written notice to the other; either hand-delivered or served by overnight mail delivery.

3. TOTAL CONSIDERATION.

The total consideration payable to EMPLOYEE may not exceed the sum of \$50,000 during this engagement without Board approval, including any reimbursable expenses. Reimbursable expenses shall be limited to temporary housing (if not provided by METRO) and mileage between EMPLOYEE's home in Riverside, California and Santa Cruz and back, which shall be reimbursed at the current IRS rate.

Excluded from this amount shall be any housing expenses paid for by Santa Cruz METRO for the benefit of EMPLOYEE. EMPLOYEE Housing, if any, shall be provided at the sole and exclusive discretion of Santa Cruz METRO and must be vacated upon termination of this Agreement or by Santa Cruz METRO for any reason.

EMPLOYEE is an independent contractor and shall not be entitled to any retirement, medical, dental, vision or any other coverage that may be applicable to those employees of the Santa Cruz METRO covered by either a separate contract or collective bargaining agreement. EMPLOYEE shall be entitled only to the compensation/consideration set forth in this Agreement.

The amount established under this Agreement is for Santa Cruz METRO's budgetary purposes and does not constitute a contractual commitment by Santa Cruz METRO to retain EMPLOYEE to such an extent, nor a commitment by EMPLOYEE to provide all required services within the amount so established. However, EMPLOYEE may not provide services that are billable to Santa Cruz METRO in an amount exceeding the amount of the total consideration provided above unless approved in advance by written amendment to this Contract.

4. METHOD OF PAYMENT.

- A. Santa Cruz METRO will reimburse EMPLOYEE for services performed in accordance with the terms of this Contract. Santa Cruz METRO will pay EMPLOYEE only for actual hours worked, at a sum of \$150.00 per hour (not to exceed ten (10) hours/day).

ATTACHMENT C

- B. EMPLOYEE must invoice Santa Cruz METRO monthly for services rendered during the preceding month pursuant to this Contract. The invoices must be itemized with a description of the work performed, the dates work was done, the time expended and the associated hourly billing rate or charge for such work, and any reimbursable expenses incurred in the performance of the work. Invoices for reimbursable expenses may not exceed the out-of-pocket expense for such items. Automobile mileage incurred in the course of providing services under this Agreement shall be reimbursed at the IRS rate of reimbursement for employees. All invoices are due no later than 45 days after completion and acceptance of the work under this Contract. Records of all costs charged to this Contract must be available for audit purposes.
- C. Payment of each approved invoice will be made by Santa Cruz METRO within 30 days after receipt in accordance with the hourly rates provided herein and subject to the maximum consideration set forth in Paragraph 3 of this Agreement. All payments are made in arrears. If Santa Cruz METRO disputes any items on an invoice for a reasonable cause, Santa Cruz METRO may deduct that disputed item from the payment, but may not delay payment for the undisputed portions. The amounts and reasons for such deductions must be documented to EMPLOYEE within 15 days after receipt of invoice by Santa Cruz METRO. Santa Cruz METRO will assign a sequential reference number to each deduction.

5. EFFECTIVE DATE.

This Contract is effective as of Monday, June 16, 2014. The duration of this Agreement is anticipated to be no greater than 6 months, unless terminated as provided herein.

6. NOTICES.

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

Santa Cruz METRO: Alex Clifford, CEO/GM
Santa Cruz Metropolitan Transit District
110 Vernon Street
Santa Cruz, CA 95060
Phone: (831) 426-6080 – ext. 1101
Fax: (831) 426-6117
Email: aclifford@scmtd.com

EMPLOYEE: Michael Stange
16025 Perry Heights Dr.
Riverside, CA 92504
Phone: (909) 438-7587
Email: mikestange53@gmail.com

7. INSURANCE REQUIREMENTS.

EMPLOYEE, at EMPLOYEE's sole cost and expense and for the full term of this Contract or any renewal thereof, must obtain and maintain at least all of the following minimum insurance requirements prior to commencing any work or receiving payments therefore under this Contract:

ATTACHMENT C

Automobile Coverage -- Vehicles used in the performance of this Agreement, including, owned, non-owned, leased or hired vehicles, shall be covered with Automobile Liability Coverage in the minimum amount of \$500,000 combined single limit per accident for bodily injury and property damage.

Proof of Coverage - Copies of all the required ENDORSEMENTS must be attached to the CERTIFICATE OF INSURANCE and must then be mailed to:

Santa Cruz METRO
Attn: Debbie Kinslow, Asst. Manager – Finance
110 Vernon Street
Santa Cruz, CA 95060

8. CONFORMANCE WITH DISTRICT POLICY.

EMPLOYEE shall abide by the terms of any and all policies and procedures of Santa Cruz METRO, including, but not limited to, the policies against Sexual Harassment, Discrimination and Retaliation, and Santa Cruz METRO's Personnel Rules and Procedures.

9. NO CONFLICT OF INTEREST.

EMPLOYEE represents that he currently has no interest, and shall not have any interest, direct or indirect, that would conflict in any manner with the performance of services required under this Agreement. During the term of this engagement, EMPLOYEE shall not solicit support for, or market to METRO, any other services or products which EMPLOYEE may be directly associated with or a representative.

10. NON-ASSIGNMENT OF AGREEMENT.

EMPLOYEE shall not assign, transfer, convey, sublet, or otherwise dispose of the Agreement or the EMPLOYEE's rights under the Agreement without the express written consent by Santa Cruz METRO; and any such action by EMPLOYEE shall be void.

11. AMBIGUITIES.

The parties have each carefully reviewed this Contract and have agreed to each term of this Contract. No ambiguity will be presumed to be construed against either party.

12. GOVERNING LAW.

The interpretation and enforcement of the Agreement will be governed by the laws of the State of California, the state that the Agreement is signed. The parties agree to submit any disputes arising under the Agreement to a court of competent jurisdiction located in Santa Cruz, California, after exhausting all efforts to resolve the dispute, including mediation or arbitration of the matter.

13. MODIFICATION. No waiver, alteration, modification, or termination of this Agreement will be valid unless made in writing and signed by the authorized representatives of the parties hereof.

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

15. CAPTIONS. The headings or captions to the Articles of this Agreement are not a part of the Agreement and will have no effect upon the construction or interpretation of any part thereof.

ATTACHMENT C

16. SEVERABILITY. If any term, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, the remainder of the Agreement will remain in effect.

17. SURVIVORSHIP. EMPLOYEE's obligations arising under the provisions pertaining to warranty, insurance, confidentiality, or indemnity with respect to services or work products provided under this Agreement will survive the expiration, termination or cancellation of this Agreement.

18. SUCCESSORS AND ASSIGNS. This Agreement will be binding upon and the benefits of this Agreement will inure to the successors and assigns of the parties hereto.

19. AUTHORITY. Each of the signatories to this Agreement represent that they are authorized to sign the Agreement on behalf of such party and that all approvals, resolutions and consents that must be obtained to bind such party have been obtained and that no further approvals, acts or consents are required to bind such party to this Agreement.

20. ENTIRE AGREEMENT.

This Agreement, including all exhibits and attachments, embodies the entire agreement of the parties in relation to the scope of services herein described, and no other understanding whether verbal, written or otherwise exists between the parties.

EMPLOYEE

By: _____

Michael Stange

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

By: _____

Alexander Clifford
CEO/General Manager

Approved as to Legal Form:

By: _____

Leslyn K. Syren
District Counsel

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: August 8, 2014

TO: Board of Directors

FROM: Erron Alvey, Purchasing Manager

SUBJECT: CONSIDERATION OF ISSUING A FORMAL INVITATION FOR BIDS FOR THE PURCHASE AND INSTALLATION OF CARPETING AND RELATED SITE WORK AT PACIFIC STATION

I. RECOMMENDED ACTION

Authorize the Purchasing Manager to issue a formal Invitation for Bids (IFB) in order to hire a contractor to remove old carpeting, perform subfloor repairs, and install new carpeting at Pacific Station.

II. SUMMARY

- The carpeted areas on the second floor of Pacific Station are in very poor condition. Santa Cruz METRO's Customer Service and ParaCruz staff work upstairs on a day-to-day basis. Potential Para Cruz customers also wait for their assessment on the second floor.
- Alex Clifford, Chief Executive Officer ("CEO"), has requested that these areas be improved at this time, as replacement of this facility is still years in the future.
- Santa Cruz METRO requires the services of a licensed contractor for carpet installation and related site work.

III. DISCUSSION

Carpeting in the office, conference room, and hallways at Pacific Station is in very poor condition due to many years of wear and tear. After a tour of the facility, Alex Clifford, CEO, requested that Facilities Maintenance perform some improvements and work with a vendor to get the carpeting replaced in order to improve the quality of the facility for the workers and customers while waiting for replacement of the transit center, which is likely still several years in the future.

Installation of carpeting must be performed by a licensed contractor. The related work of removing and disposing of the existing carpeting and repairing any damaged subfloor shall also be included.

This project is estimated to cost \$26,000, which is above the threshold for formal bidding on public works. Therefore Santa Cruz METRO is required to perform a formal bidding process to obtain these services.

IV. FINANCIAL CONSIDERATIONS

This action will authorize the initiation of a procurement estimated to have a resulting contract with a value of \$26,000.

V. ALTERNATIVES

The Board of Directors may choose to decline issuing an IFB and not replace the carpet at this time. Staff does not recommend this action as it would be detrimental to the well-being and morale of the employees working at this location.

VI. ATTACHMENTS

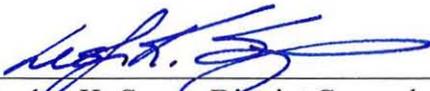
Attachment A: Authorizing Resolution

Prepared By: Erron Alvey, Purchasing Manager
Date Prepared: July 28, 2014

APPROVED:



Robyn D. Slater, Human Resources Manager and Interim Facilities Maintenance Manager



Leslyn K. Syren, District Counsel



Alex Clifford, CEO/General Manager

- THIS PAGE INTENTIONALLY LEFT BLANK -

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

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

RESOLUTION AUTHORIZING THE PURCHASING MANAGER
TO SOLICIT BIDS FOR PURCHASE AND INSTALLATION OF CARPETING AND
RELATED SITE WORK AT PACIFIC STATION

WHEREAS, the Santa Cruz Metropolitan Transit District has a need for purchase and installation of carpeting and related site work at Pacific Station, which requires the services of a licensed contractor;

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SANTA CRUZ METROPOLITAN TRANSIT DISTRICT AS FOLLOWS:

THAT, the Purchasing Manager is authorized to issue an Invitation for Bids for the services and/or supplies described above; and

THAT, the IFB is approved for release pursuant to the provisions of the Santa Cruz Metropolitan Transit District's Procurement Policy.

PASSED AND ADOPTED this 8th day of August, 2014, by the following vote:

AYES: Directors -

NOES: Directors -

ABSTAIN: Directors -

ABSENT: Directors -

APPROVED: _____
DENE BUSTICHI
Board Chair

ATTEST: _____
ALEX CLIFFORD
CEO/General Manager

APPROVED AS TO FORM:

LESLYN K. SYREN
District Counsel

- THIS PAGE INTENTIONALLY LEFT BLANK -

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: August 8, 2014

TO: Board of Directors

FROM: Erron Alvey, Purchasing Manager

SUBJECT: CONSIDERATION OF REJECTING ALL BIDS RECEIVED FOR THE APPLICATION OF CHIP SEAL ON UNPAVED PARKING LOT AND RELATED SITE WORK

I. RECOMMENDED ACTION

That the Board of Directors reject all bids received in response to the Application of Chip Seal on Unpaved Parking Lot and Related Site Work Invitation for Bids (IFB) No. 14-13.

II. SUMMARY

- Santa Cruz METRO formally solicited bids for the Application of Chip Seal on the parking lot next to the temporary Operations Facility in an attempt to reduce dust issues and the degradation of the lot.
- It was subsequently determined that this would not completely address the issues, and that the material itself may cause additional problems.
- The low bid came in at \$47,200, which is a high cost project for a temporary parking lot expected to be used for less than a year. Santa Cruz METRO would also have to cover costs to remove all of the material upon vacating the property.
- Staff is recommending rejecting all bids and will determine a better performing and more cost effective solution.

III. DISCUSSION

The parking lot next to the temporary Operations Facility has had ongoing issues related to the large amount of dust that the cooling fans on Santa Cruz METRO's buses are blowing around when driving on the lot. An application of chip seal was recommended by a professional paving firm to remedy the issues. A competitive procurement was conducted to solicit bids from qualified firms for the application of chip seal on the unpaved parking lot and related site work. Four (4) firms submitted bids for Santa Cruz METRO's review. Upon review of the bids and further discussion with all parties involved, the proposed solution posed other potential problems, and is cost prohibitive for the anticipated term of use (less than a year). Furthermore, Santa Cruz METRO would be responsible for removing this material after vacating the property.

As provided in the terms and conditions of the IFB, Santa Cruz METRO's Board of Directors has the right to accept or reject any or all bids received for any reason. Staff is recommending that the Board of Directors reject all bids received. Staff is currently working on a more suitable and cost effective remedy.

IV. FINANCIAL CONSIDERATIONS/IMPACT

Approval of this action does not have any financial impact.

V. ALTERNATIVES CONSIDERED

- Award the contract to the low bidder.

The Board of Directors could award the contract to the low bidder, KCEI Construction out of El Cajon, CA, in the amount of \$47,200. KCEI Construction has indicated they would be able to accomplish the work in a timely manner at the bid price submitted.

Staff is not recommending this action as many concerns about the integrity of this product have been brought up after bids were due. It is believed that the weight of our buses and the tight turning radiuses required in this parking lot will quickly tear up the chipsealed areas. Once the chipseal is broken up, it could adhere to the tires and spin up onto the body of the bus, causing a difficult clean up for Vehicle Service Worker staff tasked with keeping the buses clean. Furthermore, the cost of the application of chipseal is high for use on a temporary lot.

VI. ATTACHMENTS

Attachment A: Bid Results

Prepared By: Erron Alvey, Purchasing Manager
Date Prepared: July 28, 2014

APPROVED:



Frank Cheng, Project Manager and IT Manager



Leslyn K. Syren, District Counsel



Alex Clifford, CEO/General Manager

- THIS PAGE INTENTIONALLY LEFT BLANK -

ATTACHMENT A



Bid Results for IFB No. 14-13
Application of Chip Seal on Unpaved Parking Lot and
Related Site Work
Opened April 11, 2014 at 2:00 PM

| BIDDER | AMOUNT BID |
|---|-------------------|
| Earthworks Paving Contractors, Inc., Capitola, California | \$63,200 |
| KC Paving, Inc., Redwood City, California | \$90,536 |
| KCEI Construction, Inc., El Cajon, California | \$47,200 |
| Windsor Fuel Company, Pittsburg, California | \$72,058 |

- THIS PAGE INTENTIONALLY LEFT BLANK -

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: August 8, 2014

TO: Board of Directors

FROM: Angela Aitken, Finance Manager

SUBJECT: CONSIDERATION OF APPROVAL OF AUDIT ENGAGEMENT LETTER WITH BROWN ARMSTRONG ACCOUNTANCY CORPORATION FOR FINANCIAL AUDIT AND TAX SERVICES FOR THE YEAR ENDED JUNE 30, 2014

I. RECOMMENDED ACTION

That the Board of Directors approve and sign the audit engagement letter with Brown Armstrong Accountancy Corporation for financial audit and tax services for the year ended June 30, 2014.

II. SUMMARY OF ISSUES

- Attached for review and approval is Brown Armstrong Accountancy Corporation's **Audit Engagement Letter (Attachment A)** for the fiscal year ended June 30, 2014.
- The Audit Engagement Letter states the terms and conditions of the engagement, principally addressing the scope of the engagement and the terms of compensation for Brown Armstrong Accountancy Corporation.
- The Audit Engagement Letter also defines the legal relationship between Santa Cruz METRO and Brown Armstrong Accountancy Corporation and provides a detailed description of the services that will be provided through the audit process.

III. DISCUSSION/BACKGROUND

State law requires that Santa Cruz METRO undergo an audit of their financial statements on an annual basis. The statements are to be prepared and presented in conformity with accounting principles generally accepted in the United States of America and must be audited in accordance with auditing standards generally accepted in the United States of America by a firm of Certified Public Accountants licensed to practice in the State of California. The standards for financial audits are contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Single Audit Act Amendments of 1996, and the provisions of OMB Circular A-133 ("Audits of State, Local Governments, and Non-Profit Organizations"). Additional requirements include a separate audit report to indicate Santa Cruz METRO's compliance, as outlined by Section 6667 of the California Administrative Code, with the Transportation Development Act (TDA), including Public Utility Code Section 99245; and compliance with all statutes

related to the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA) funding held and received during the year.

On April 12, 2013 Santa Cruz METRO awarded a three-year contract with two one-year options to Brown Armstrong Accountancy Corporation in an amount not to exceed \$116,250 for Financial Audit and Tax services for fiscal year 2013-2015.

Before field work begins on August 11, 2014, the audit engagement letter must be signed by management and the Board of Directors. Prior to the fiscal year 2014 audit, the audit engagement letter required only management's approval.

IV. FINANCIAL CONSIDERATIONS/IMPACT

The required funding in the amount of \$38,750 is included in the FY15 current fiscal year's Finance department operating budget within the Accounting / Audit Fees (503011) budget account.

V. ALTERNATIVES CONSIDERED

- It is recommended that the Board approve and execute (sign) the attached Audit Engagement Letter to continue to receive Federal, State and Local grant awards and funding, including Federal Transit Administration (FTA) capital funds and annual Transportation Development Act (TDA) allocations.
- This is the second year of a three year contract; therefore an alternative is not suggested at this time.

VI. ATTACHMENTS

Attachment A: Brown Armstrong – Audit Engagement Letter

Board of Directors
Board Meeting of August 8, 2014

Prepared By: Debbie Kinslow, Assistant Finance Manager
Date Prepared: July 29, 2014

APPROVED:

dlacow for AA

Angela Aitken, Finance Manager



Alex Clifford, CEO

ATTACHMENT A

BROWN ARMSTRONG

Certified Public Accountants

July 16, 2014

To the Board of Directors and
Alex Clifford, CEO/General Manager
Santa Cruz Metropolitan Transit District
110 Vernon Street
Santa Cruz, California 95060-2130

We are pleased to confirm our understanding of the services we are to provide the Santa Cruz Metropolitan Transit District (Santa Cruz METRO) for the year ended June 30, 2014. We will audit the financial statements of the business-type activities, including the related notes to the financial statements, which collectively comprise the basic financial statements, of Santa Cruz METRO as of and for the year ended June 30, 2014. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Santa Cruz METRO's 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. As part of our engagement, we will apply certain limited procedures to Santa Cruz METRO's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by accounting principles generally accepted in the United States of America and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis
- 2) Schedule of Funding Progress – Defined Benefit Pension Plan
- 3) Schedule of Funding Progress – Other Postemployment Benefits

We have also been engaged to report on supplementary information other than RSI that accompanies Santa Cruz METRO's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

PKF

NonAmerica

MEMBER OF THE PKF NETWORK
MEMBER OF THE PKF NETWORK
MEMBER OF THE PKF NETWORK

7-5a.1

ATTACHMENT A

To the Board of Directors and
Alex Clifford, CEO/General Manager
Santa Cruz Metropolitan Transit District
July 16, 2014
Page Two

- 1) Schedule of Expenditures of Federal Awards
- 2) Statement of Operating Expenses

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

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

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The OMB Circular A-133 report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Board of Directors of Santa Cruz METRO. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements or the Single Audit compliance opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

ATTACHMENT A

To the Board of Directors and
Alex Clifford, CEO/General Manager
Santa Cruz Metropolitan Transit District
July 16, 2014
Page Three

Management Responsibilities

Management is responsible for the financial statements, schedule of expenditures of federal awards, and all accompanying information as well as all representations contained therein. Management is also responsible for identifying all federal awards received and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the requirements of OMB Circular A-133. As part of the audit, we will assist with preparation of your financial statements, schedule of expenditures of federal awards, and related notes. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Management is responsible for (a) establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (b) following laws and regulations; (c) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (d) ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

ATTACHMENT A

To the Board of Directors and
Alex Clifford, CEO/General Manager
Santa Cruz Metropolitan Transit District
July 16, 2014
Page Four

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review on August 11, 2014.

You are responsible for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with OMB Circular A-133. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon or make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

ATTACHMENT A

To the Board of Directors and
Alex Clifford, CEO/General Manager
Santa Cruz Metropolitan Transit District
July 16, 2014
Page Five

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

Audit Procedures—General

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

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by auditing standards generally accepted in the United States of America.

ATTACHMENT A

To the Board of Directors and
Alex Clifford, CEO/General Manager
Santa Cruz Metropolitan Transit District
July 16, 2014
Page Six

Audit Procedures—Internal Control

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

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

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

Audit Procedures—Compliance

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

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

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information.

ATTACHMENT A

To the Board of Directors and
Alex Clifford, CEO/General Manager
Santa Cruz Metropolitan Transit District
July 16, 2014
Page Seven

Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

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

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

We will provide copies of our reports to Santa Cruz METRO; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Brown Armstrong Accountancy Corporation and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to Department of Transportation or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Brown Armstrong Accountancy Corporation personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the Department of Transportation or its designee. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately August 11, 2014 and to issue our reports no later than December 31, 2014. Steven R. Starbuck is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

ATTACHMENT A

To the Board of Directors and
Alex Clifford, CEO/General Manager
Santa Cruz Metropolitan Transit District
July 16, 2014
Page Eight

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$38,750. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 90 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our reports. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

All disputes under this agreement shall be submitted to mediation. Each party shall designate an executive officer empowered to attempt to resolve the dispute. Should the designated representatives be unable to agree on a resolution, a competent and impartial third party acceptable to both parties shall be appointed to mediate. Each disputing party shall pay an equal percentage of the mediator's fees and expenses. No suit or arbitration proceedings shall be commenced under this agreement until at least 60 days after the mediator's first meeting with the involved parties. In the event that the dispute is required to be litigated, the court shall be authorized to assess litigation costs against any party found not to have participated in the mediation process in good faith.

You have requested that we provide you with a copy of our most recent external peer review report and any subsequent reports received during the contract period. Accordingly, our peer review report dated February 8, 2013 accompanies this letter.

We appreciate the opportunity to be of service to Santa Cruz METRO and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

SRS:afd:rnp
Enclosures
Pfx..74043/6/30/14 Audit/PSR-02-1/...DRAFT ALG-CL-1_2 Audit Engagement Letter-Single Audit

RESPONSE:

This letter correctly sets forth the understanding of Santa Cruz METRO.

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____



ATTACHMENT A

System Review Report

To the Shareholders of
Brown Armstrong Accountancy Corporation
and the National Peer Review Committee of the AICPA

We have reviewed the system of quality control for the accounting and auditing practice of Brown Armstrong Accountancy Corporation (the firm) applicable to non SEC issuers in effect for the year ended October 31, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based upon our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Brown Armstrong Accountancy Corporation applicable to non SEC issuers in effect for the year ended October 31, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Brown Armstrong Accountancy Corporation has received a peer review rating of *pass*.

Warrald Tidwell, LLP
WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 8, 2013

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: August 8, 2014

TO: Board of Directors

FROM: Ciro Aguirre, Manager of Operations

SUBJECT: CONSIDERATION OF AUTHORIZING THE CEO TO EXECUTE A TWO YEAR LEASE WITH ONE OPTION TO RENEW FOR AN ADDITIONAL TWO YEARS FOR THE PROPERTY LOCATED AT 2880 RESEARCH PARK DRIVE IN SOQUEL

I. RECOMMENDED ACTION

That the Board of Directors authorize the Santa Cruz METRO CEO to execute a Lease Amendment with Soquel III Associates for the ParaCruz Facility located at 2880 Research Park in Soquel extending the term of the Lease Agreement.

II. SUMMARY OF ISSUES

- METRO has an existing lease with Soquel III Associates, a California general partnership, for the lease of the property located at 2880 Research Park Drive in Soquel for METRO's ParaCruz facility.
- The current five year lease term expires on August 31, 2014. The Lease requires the parties to execute an Extension Amendment to extend the Lease period beyond 8/31/14.
- The parties have negotiated an Agreement to extend the Lease for a two (2) year period, which will terminate on 8/31/16, but also includes an option to extend the Lease for an additional two (2) year period, should METRO wish to exercise that option.

III. DISCUSSION/BACKGROUND

METRO's ParaCruz Operations and Facilities offices are located at 2880 Research Park Drive in Soquel. The property has been leased from Soquel III Associates since September 1, 2004. The current lease term expires on August 31, 2014, necessitating an Amendment/Extension to be executed in order to extend the Lease for an additional period of time. Soquel III Associates and Santa Cruz METRO have agreed to a two year extension (terminating on 8/31/16), with an option to extend another two (2) years, should METRO choose to do so.

The current monthly rent for the facility is \$13,000.17. This sum includes both the Rent and Common Area charges. The Lease provides for CPI increases every year on the successive anniversary date of the Commencement Date of the Lease, which is never less than 2% or more than 6%.

The Finance and Legal Departments both contributed background information and data for this report.

IV. FINANCIAL CONSIDERATIONS/IMPACT

Funding in the estimated amount of \$339,362 is budgeted in the FY15 (\$162,740) and FY16 (\$167,622) Paratransit Operating budget 3100, within the Facility Lease (512011) account. The current budgeted estimate is based on a 3% CPI.

V. ALTERNATIVES CONSIDERED

- a. Relocation of ParaCruz to an alternate lease site - Attempts to identify an alternative commercial property that possesses the parking, office space, and employee accommodations needed by ParaCruz has been unsuccessful.
- b. Purchase of a site – METRO’s long term objective is to purchase a site that can be utilized for ParaCruz. Current available funding is insufficient.
- c. Combining ParaCruz with an existing METRO facility - METRO currently does not have sufficient space available at any of the other facilities for ParaCruz to relocate to.

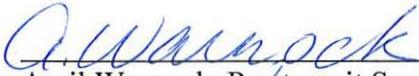
VI. ATTACHMENTS

- Attachment A:** Lease Agreement
Attachment B: Lease Amendment #2

Board of Directors
Board Meeting of August 8, 2014

Prepared By: April Warnock, Paratransit Superintendent
Date Prepared: July 29, 2014

APPROVED:



April Warnock, Paratransit Superintendent



Ciro Aguirre, Operations Manager



Alex Clifford, CEO/General Manager

- THIS PAGE INTENTIONALLY LEFT BLANK -

ATTACHMENT A

LEASE AMENDMENT NUMBER 1

This Lease Amendment Number 1 is made this 27th day of March, 2009 between Soquel III Associates, a California general partnership (hereinafter referred to as the "Landlord") and Santa Cruz Metropolitan Transit District, a local public agency (hereinafter referred to as the "Tenant"), who agree as follows:

RECITALS:

- A. Landlord and Tenant entered into that certain Lease Agreement, dated for reference August 13, 2004 for the premises known as 2880 Research Park Drive, Suite 160, Soquel, California 95073 (hereinafter referred to as the "Lease").
- B. Tenant desires to exercise its first option to extend the term of the Lease.

NOW THEREFORE, the parties hereto agree as follows:

1. The term of the Lease shall be extended five (5) years to terminate on August 31, 2014.
2. All other terms, conditions, covenants or provisions of the Lease shall remain unchanged.

LANDLORD:

Soquel III Associates,
a California general partnership

By: _____


Bernard Kotansky,
General Partner

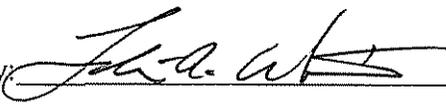
Date: _____

4/9/09

TENANT:

Santa Cruz Metropolitan Transit District,
a local public agency

By: _____


Title: General Manager

Date: _____

3-30-09

ATTACHMENT A

LEASE AGREEMENT

1. **Parties.** This Lease, dated for reference purposes only as August 13, 2004, is made by and between Soquel III Associates, ("Landlord"), and the Santa Cruz Metropolitan Transit District, a local public agency ("Tenant")

2. **Premises.** Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, upon the terms and conditions hereinafter set forth, those certain premises (the "Premises") situated in Santa Cruz, County of Santa Cruz, State of California, described as follows: Suite 160 containing approximately 9,318 rentable square feet of floor space as shown on the site plan attached hereto as Exhibit "A", together with the improvements (the "Improvements") to be constructed therein pursuant to Exhibit "B" attached hereto. The Premises also include parking on a non-exclusive pro rata basis, which shall be defined as 13.9% of the spaces identified in Exhibit D to this Lease. The Premises are located in a larger building (the "Building") containing approximately 23,400 square feet of floor space, which building is located at 2880 Research Park Drive, Soquel, CA 95073. Landlord will allow Tenant the use of all the furniture that is currently located in the Premises during the full term of the lease and any extension thereof, without additional consideration. A listing of the furniture is located in Exhibit E, which is attached hereto.

Upon Tenant's occupancy of the Premises, the utility systems, including but not limited to, plumbing, electrical (including light bulbs), heating/ventilation/air conditioning (HVAC), and mechanical systems will be in good working order and condition in addition to roof, sidewalks and parking lot. Landlord shall repair any defective or malfunctioning component of these items for which Landlord has received written notice from Tenant describing the failure or malfunction within sixty (60) days (unless covered by a contractors or manufacturers guarantee which exceed the sixty (60) day period) of the commencement date of the lease at no additional expense to Tenant. Should any improvements be necessary to meet the legal requirements for access by the disabled, Landlord shall make the improvements, the cost of which shall be amortized over the life of the lease.

3. **Term.** The term of this Lease (the "Lease Term") shall be for five (5) years, commencing on September 1, 2004, the Commencement Date, and ending August 31, 2009 thereafter unless sooner terminated pursuant to any provision hereof. Notwithstanding said Commencement Date, if for any reason Landlord cannot deliver possession of the Premises to Tenant on said date, Landlord shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or the obligations of Tenant hereunder, but in such case Tenant shall not be obligated to pay rent until the date possession of the Premises is tendered to Tenant. In the event Landlord shall permit Tenant to occupy the Premises prior to the Commencement Date, such occupancy shall be subject to all the provisions of this Lease, except the obligation to pay the Monthly Installment of rent. If Landlord is unable to tender possession to Tenant within 7 days of September 1, 2004, Tenant's obligations pursuant to this lease agreement shall cease. Notwithstanding the five-year term, should Tenant reasonably determine that the parking described herein is insufficient for its use, than Tenant may at any time during the first year of the lease term provide written notice to landlord terminating the lease and having no further obligations pursuant to the lease except that Tenant shall be responsible to pay the non-amortized costs of the tenant improvements and any commissions paid by Landlord for the establishment of the lease.

4. **Rent.**

A. Tenant shall pay to Landlord as rent for the Premises the respective sums specified in Paragraph 4B below (the "Monthly Installment") each month in advance on the first day of each calendar month, without deduction or offset, prior notice or demand, commencing on September 1, 2004 and continuing through the term of this Lease, together with such additional rents as are payable by Tenant to Landlord under the terms of this Lease.

B. The initial Monthly Installment of rent shall be eight thousand, three hundred, eighty-six Dollars and twenty cents (\$8,386.20) per month (the "Initial Monthly Installment"). On each Rental Adjustment Date, the Monthly Installment of rent shall be increased to a sum equal to the Initial Monthly Installment of rent multiplied by a fraction the numerator of which is the New Index existing at that time and the denominator of which is the Initial Index; provided, however, that in no event shall the Monthly Installment of rent payable after any Rental Adjustment Date be less than the Monthly Installment of rent payable immediately preceding such Rental Adjustment Date. In no event shall any such increase be less than two percent (2%) nor greater than six percent (6%) of the amount of the Base Rent immediately preceding the Rent Adjustment. The Monthly Installment of rent as

ATTACHMENT A

adjusted on any Rental Adjustment Date shall remain in effect until the next Rental Adjustment Date. As used in this Lease, the following terms, shall have the following meanings:

(1) "Rental Adjustment Date" means each successive anniversary date of the Commencement Date of the Lease.

(2) "Index" means the Consumer Price Index for All Urban Consumers (All Items) as published by the United States Department of Labor, Bureau of Labor Statistics, for the San Francisco/Oakland Metropolitan Area (1982-84=100 Base);

(3) "Initial Index" means the Index last published prior to the Commencement Date of this Lease;

(4) "New Index" means, with respect to each Rental Adjustment Date, the Index last published prior to such Rental Adjustment Date

C. Tenant acknowledges that late payment by Tenant to Landlord of rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges, which may be imposed on Landlord by the terms of any mortgage or deed of trust covering the Premises. Accordingly, if any installment of rent or any other sum due from Tenant shall not be received by Landlord within five (5) days after such amount shall be due, Tenant shall pay to Landlord, as additional rent, a late charge equal to five percent (5%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of its other rights and remedies granted hereunder

D. All taxes, insurance premiums, Common Area Charges, late charges, costs and expenses which Tenant is required to pay hereunder, together with all interest and penalties that may accrue thereon in the event of Tenant's failure to pay such amounts, and all reasonable damages, costs, and attorneys' fees and expenses which Landlord may incur by reason of any default of Tenant or failure on Tenant's part to comply with the terms of this Lease, shall be deemed to be additional rent ("Additional Rent") and shall be paid in addition to the Monthly Installment of rent, and in the event of nonpayment by Tenant, Landlord shall have all of the rights and remedies with respect thereto as Landlord has for the nonpayment of the Monthly Installment of rent.

E. Rent shall be payable in lawful money of the United States of America to Landlord at 14651 South Bascom Avenue, Suite #280, Los Gatos, CA 95032 or to such other person(s) or at such other place(s) as Landlord may designate in writing

F. Upon execution of this Lease, Tenant shall pay to Landlord the sum of Ten thousand, eight hundred, eight Dollars (\$10,808 88) to be applied to the rent and Common Area Charges due for the first month of the Lease Term.

5. **Security Deposit.** Upon execution of this Lease, Tenant shall deposit with Landlord the sum of Eight thousand, three hundred, eighty-six Dollars and twenty cents (\$8,386.20) ("Security Deposit") to secure the faithful performance by Tenant of each term, covenant and condition of this Lease. If Tenant shall at any time fail to make any payment or fail to keep or perform any term, covenant and condition on its part to be made or performed or kept under this Lease, Landlord may, but shall not be obligated to and without waiving or releasing Tenant from any obligation under this Lease, use, apply or retain the whole or any part of the Security Deposit (a) to make any required payment on Tenant's behalf to a third party; or (b) to compensate landlord for any loss, damages, attorneys' fees or expense sustained by Landlord due to Tenant's default. In such event, Tenant shall, within five (5) days of written demand by Landlord, remit to Landlord sufficient funds to restore the Security Deposit to its original sum. No interest shall accrue on the Security Deposit. If the monthly Installment of Rent shall, from time to time, increase during the term of this Lease, Tenant shall, at the time of such increase, deposit with Landlord additional money as a security deposit so that the total amount of the security deposit held by Landlord shall at all times bear the same proportion to the then current Base Rent as the initial security deposit bears to the initial monthly Installment of Rent set forth in paragraph 4 of this Lease. Landlord shall not be required to keep the Security Deposit separate from its

ATTACHMENT A

general funds. Should Tenant comply with all the terms, covenants, and conditions of this Lease and at the end of the term of this Lease leave the Premises in the condition required by this Lease, then said Security deposit, less any sums which Landlord is entitled to keep, shall be returned to Tenant within thirty (30) days after the termination of this Lease and vacancy of the Premises by Tenant.

6. **Agreed Use of Premises.** Tenant shall use the Premises only in conformance with applicable governmental laws, regulations, rules and ordinances for the purpose of operating its entire Paratransit Division including administrating, certifying, scheduling, dispatching, supervising, and maintaining and repairing vehicles and for no other purpose. Notwithstanding the foregoing, Tenant will not repair or replace major components of its vehicles on the Premises. It is understood and agreed that Tenant's business may operate 24-hours a day, 365 days a year. Tenant shall indemnify, defend, and hold Landlord harmless against any loss, expense, damage, attorneys' fees or liability arising out of failure of Tenant to comply with any applicable law. Tenant shall comply with the Rules and regulations specified in Exhibit C and any changes thereto made by Landlord as long as such changes do not unreasonably interfere with Tenant's business operations. Tenant shall not commit or suffer to be committed, any waste upon the Premises, or any nuisance, or other acts or things which may disturb the quiet enjoyment of any other tenant in the buildings adjacent to the Premises, or allow any sale by auction upon the Premises, or allow the Premises to be used for any unlawful purpose, or place any loads upon the floor, walls or ceiling which endanger the structure, or place any harmful liquids in the drainage system of the building. No waste materials or refuse shall be dumped upon or permitted to remain upon any part of the Premises outside of the building proper except on trash containers placed inside exterior enclosures designated for that purpose by Landlord. No materials, supplies, equipment, finished products or semi-finished products, raw materials or articles of any nature shall be stored upon or permitted to remain on any portion of the Premises outside of the building proper.

7. Taxes and Assessments.

A. **Tenant's Property.** Tenant shall pay before delinquency any and all taxes and assessments, license fees and public charges levied, assessed or imposed upon or against Tenant's fixtures, equipment, furnishings, furniture, appliances and personal property installed or located on or within the Premises. Tenant shall cause said fixtures, equipment, furnishings, furniture, appliances and personal property to be assessed and billed separately from the real property of Landlord. If any of Tenant's said personal property shall be assessed with Landlord's real property, Tenant shall pay Landlord the taxes attributable to Tenant within ten (10) days after receipt of a written statement from Landlord setting forth the taxes applicable to Tenant's property.

B. **Property Taxes.** Tenant shall pay, as a Common Area Charge, thirty-nine and eight/tenths percent (39.8%) of all Property Taxes levied or assessed with respect to the building of which the Premises are a part (the "Building"), and thirty-nine and eight/tenths percent (39.8%) of all Property Taxes levied or assessed with respect to the land comprising the tax parcel on which the Premises are located (the "Parcel"), which become due or accrued during the term of this Lease. Tenant shall pay its share of such Property Taxes to landlord in accordance with the procedures set forth in Paragraph 12 below. For the purpose of this Lease, "Property Taxes" means and includes all taxes, assessments (including, but not limited to, assessments for public improvements or benefits), taxes based on vehicles utilizing parking areas, taxes based or measured by the rent paid, payable or received under this Lease, taxes on the value, use, or occupancy of the Premises, the Building and/or the Parcel, Environmental Surcharges, and all other governmental impositions and charges of every kind and nature whatsoever, whether or not customary or within the contemplation of the parties hereto and regardless of whether the same shall be extraordinary or ordinary, general or special, unforeseen or foreseen, or similar or dissimilar to any of the foregoing which, at any time during the Lease Term, shall be applicable to the Premises, the Building and/or the Parcel or assessed, levied or imposed upon the Premises, the Building and/or the Parcel, or become due and payable and a lien or charge upon the Premises, the Building and/or the Parcel, or any part thereof, under or by virtue of any present or future laws, statues, ordinances, regulations or other requirements of any governmental authority whatsoever. The term "Environmental Surcharges" shall mean and include any and all expenses, taxes, charges or penalties imposed by the Federal Department of Energy, the Federal Environmental Protection Agency, the Federal Clean Air Act, or any regulations promulgated thereunder or any other local, state or federal governmental agency or entity now or hereafter vested with the power to impose taxes, assessments, or other types of surcharges a means of controlling or abating environmental pollution or the use of energy. The term "Property Taxes" shall not include any federal, state or local net income, estate, or inheritance tax imposed on Landlord.

ATTACHMENT A

C. Other Taxes. Tenant shall, as additional rent, pay or reimburse Landlord for, any tax based upon, allocable to, or measured by the area of the Premises or the Building or the rental payable by Tenant under this Lease, including without limitation, any gross receipts tax or excise tax levied by any state, local or federal government with respect to the receipt of such rental; any tax upon or with respect to the possession, leasing, operation, management, maintenance alteration, repair, use of occupancy of the Premises or any portion thereof; any privilege tax, excise tax, business and occupation tax, gross receipts tax, sales and/or use tax, water tax, sewer tax, employee tax, occupational license tax imposed upon Landlord or Tenant with respect to the Premises; any tax upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises.

8. Insurance and Indemnity.

A. Indemnity. Tenant agrees to indemnify and defend Landlord against and hold Landlord harmless from any and all claims, causes of action, judgments, obligations or liabilities, and all reasonable expenses incurred in investigating or resisting the same (including reasonable attorney's fees), on account of, or arising out of, the operation, maintenance, use or occupancy of the Premises and all areas appurtenant thereto (except for the negligence, active or passive, or intentional conduct of Landlord). This Lease is made on the express understanding that Landlord shall not be liable for, or suffer loss by reason of, injury to person or property, from whatever cause (except for active or passive negligence or intentional conduct of Landlord), in any way may be connected with the operation, use or occupancy of the Premises specifically including, without limitation, any liability for injury to the person or property of the Tenant, its agents, officers, employees, licensees or invitees.

B. Liability Insurance. Tenant shall obtain and keep in force a Commercial General Liability Policy of Insurance protecting Tenant and Landlord against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy, or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than \$2,000,000 per occurrence. The Policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Tenant's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Tenant nor relieve Tenant of any obligation hereunder. All insurance carried by Tenant shall be primary to and not contributory with any similar insurance carried by Landlord, whose insurance shall be considered excess insurance only. Landlord and Landlord's property management company shall be named as "Additional Insured".

C. Property Insurance. Landlord shall obtain and keep in force during the term of this Lease a policy of Combined Single Limit Bodily Injury and Broad Form Property Damage Insurance, plus coverage against such other risks Landlord deems advisable from time to time, insuring Landlord, but not Tenant, against liability arising out of the ownership, use, occupancy or maintenance of the Building, exclusive of Tenant's fixtures, furnishings, equipment and other personal property. Tenant shall have no interest in or any right to the proceeds of any insurance procured by Landlord on the Building, Premises or Real Property. Tenant shall not be named as additional insured therein. If the Premises are part of a larger building, or of a group of buildings owned by Landlord which are adjacent to the Premises, the Tenant shall pay for any increase in the premiums for the property insurance of such building or buildings if said increase is caused by Tenant's acts, omissions, use or occupancy of the Premises. The cost of such insurance procured and maintained by Landlord shall be a Common Area Charge, and Tenant shall pay to Landlord, as additional rent, Tenant's share of the cost of such insurance in accordance with the procedure set forth in Paragraph 12 below. Tenant acknowledges that such insurance procured by Landlord shall contain a deductible, which reduces Tenant's cost for such insurance and, in the event of loss or damage, Tenant shall be required to pay to Landlord the amount of such deductible.

D. Tenant's Property/Business Interruption Insurance. Tenant acknowledges that the insurance to be maintained by Landlord on the Premises pursuant to subparagraph C above will not insure any of Tenant's property. Accordingly, Tenant, at Tenant's own expense, shall maintain in full force and effect the following insurance:

(1) Property Damage. Tenant shall obtain and maintain insurance coverage on all of Tenant's personal property, Trade Fixtures, and Tenant Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed \$5,000 per

ATTACHMENT A

occurrence. The proceeds from any such insurance shall be used by Tenant for the replacement of personal property, Trade Fixtures and Tenant Owned Alterations and Utility Installations. Tenant shall provide Landlord with written evidence that such insurance is in force.

(2) **Plate Glass Insurance.** Tenant, at its sole cost, shall be responsible for the maintenance, repair, and replacement of all plate glass in or enclosing the Premises. If Tenant does not procure insurance on such plate glass, Tenant shall be deemed self-insured for the full replacement cost thereof.

(3) **No Representation of Adequate Coverage.** Landlord makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Tenant's property, business operations or obligations under this Lease.

E. Form of the Policies. Insurance required herein shall be by companies duly licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Tenant shall not do or permit to be done anything that invalidates the required insurance policies. Tenant shall, prior to the Commencement Date, deliver to Landlord certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after thirty (30) days prior written notice to Landlord. Tenant shall obtain a written obligation on the part of any insurance company providing such insurance to notify Landlord in writing of any delinquency in premium payments and, at least ten (10) days prior thereto, of any cancellation of any such policy. Tenant shall, at least thirty (30) days prior to the expiration of such policies, furnish Landlord with evidence of renewals or "insurance binders" evidencing renewal thereof, or Landlord may order such insurance and charge the cost thereof to Tenant, which amount shall be payable to Tenant to Landlord upon demand. Such policies shall be for term of at least one (1) year, or the length of the remaining term of this Lease, whichever is less. Tenant agrees that if Tenant does not take out such insurance or keep the same in full force and effect, Landlord may take out the necessary insurance and pay the premiums therefor, and Tenant shall repay to Landlord, as additional rent and within ten (10) days of written demand, the amount so paid plus interest from the date of expenditure at the highest rate then permitted by California law.

F. Waiver of Subrogation. Tenant and Landlord hereby mutually waive their respective rights for recovery against each other for any loss or damage to the property of either party, to the extent such loss or damage is insured by any insurance policy required to obtain any special endorsements, if required by the insurer, whereby the insurer waives its right of subrogation against the other party hereto. The provisions of this Subparagraph F shall not apply in those instances in which waiver of subrogation would cause either party's insurance coverage to be voided or otherwise made uncollectible.

G. Exemption of Landlord from Liability. Except as provided below, Landlord shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of tenant, tenant's employees, contractors, invitees, customers, or any other person in or about the premises whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the premises, or upon other portions of the building of which the premises are a part, or from other sources or places, and regardless of whether the cause of such damage or injury or the means of repairing the same is accessible or not. Landlord shall not be liable for any damages arising from any act or neglect of any other tenant of landlord. Notwithstanding the above, Landlord shall be liable to tenant for any injury or damage resulting from Landlord's intentional acts or acts of negligence, or from the failure of landlord to make timely repairs after notice from Tenant as provided in this Lease.

9. Utilities. Tenant shall pay for all water, gas, light, heat, power, electricity, telephone, trash pick-up, sewer charges, and all other services supplied to or consumed on the Premises, and all taxes and surcharges thereon. In the event that any of the utility services are not separately metered to the Premises, the cost of such utility service shall be a Common Area Charge and Tenant shall pay its share of such cost to Landlord as provided in Paragraph 12

ATTACHMENT A

below. In addition, the cost of any utility services supplied to the Common Area shall be a Common Area Charge and Tenant shall pay its share of such cost to Landlord as provided in paragraph 12 below.

10. Repairs and Maintenance.

A. Subject to provisions of Paragraph 16, Landlord shall keep and maintain the exterior roof, structural elements and exterior walls of the building in which the Premises are located in good order and repair. Landlord shall not, however, be required to maintain, repair or replace the interior surface of exterior walls, nor shall Landlord be required to maintain, repair or replace windows, doors, skylights or plate glass. Landlord shall have no obligation to make repairs under this subparagraph until a reasonable time after receipt of written notice from Tenant of the need for such repairs. The cost of such maintenance and repairs which are the obligation of Landlord hereunder shall be a Common Area Charge, and Tenant shall reimburse Landlord, as additional rent, for Tenant's share of the cost of such maintenance and repair in accordance with the procedures set forth in Paragraph 12 below; provided, however, that Tenant shall not be required to reimburse Landlord for the cost of maintenance and repairs of the structural elements of the Building unless such maintenance or repair is required because of the negligence or willful misconduct of Tenant or its employees, agents or invitees, in which case, Tenant shall reimburse Landlord, upon demand, at one hundred percent (100%) of the cost of such maintenance or repair. As used herein, the term "structural elements of the building" shall mean and be limited to the foundation, footings, floor slab (but not flooring), structural walls, sidewalks and roof structure (but not roofing or roof membrane).

B. Except as expressly provided in subparagraph A above, Tenant shall, at its sole cost, keep and maintain the entire Premises and every part thereof, including without limitation, the windows, window frames, plate glass, glazing, skylights, truck doors, doors and all door hardware, the walls and partitions, and the electrical, plumbing, lighting, heating, ventilating and air conditioning systems and equipment in good order, condition and repair. The term "repair" shall include replacements, restorations and/or renewals when necessary as well as painting. The Tenant's obligation shall extend to all alterations, additions and improvements to the Premises, and all fixtures and appurtenances therein and thereto. Tenant shall at all times during the Lease term, have in effect a service contract for the maintenance of the heating, ventilation and air conditioning (HVAC) equipment with a HVAC repair and maintenance contractor approved by Landlord which provides for periodic inspection and servicing at least once every three months during the term hereof and shall provide Landlord with a copy of such contract. Should Tenant fail to make repairs required of Tenant hereunder forthwith upon five (5) days notice from Landlord, Landlord, in addition to all other remedies available hereunder or by law and without waiving any alternative remedies, may make the same, and in that event, Tenant shall reimburse Landlord as additional rent for the cost of such maintenance or repairs within five (5) days of written demand by Landlord. Landlord shall have no maintenance or repair obligations whatsoever with respect to the Premises except as expressly provided in Paragraphs 10A and 11.

11. **Common Area.** Subject to the terms and conditions of this Lease and such rules and regulations as Landlord may from time to time prescribe, Tenant and Tenant's employees, invitees and customers shall, in common with other occupants of the parcel on which the Premises are located, and their respective employees, invitees and customers, and others entitled to the use thereof, have the non-exclusive right to use the access roads, parking areas and facilities provided and designated by Landlord for the general use and convenience of the occupants of the parcel on which the Premises are located, which areas and facilities are referred to herein as "Common Area". This right shall terminate upon the termination of the Lease. Provided it does not materially interfere with Tenant's business operations, Landlord reserves the right from time to time to make changes in the shape, size, location, amount and extent of the Common Area. Landlord further reserves the right to promulgate such reasonable rules and regulations relating to the use of the Common Area, and any part or parts thereof, as Landlord may deem appropriate for the best interest of the occupants of the parcel except that no rule shall interfere with Tenant's permitted use of the Premises. The rules and regulations shall be binding upon Tenant upon delivery of a copy of them to Tenant, and Tenant shall abide by them and cooperate in their observance. Such rules and regulations may be amended by Landlord from time to time, with or without advance notice, and all amendments shall be effective upon delivery of a copy to Tenant. Tenant shall have the non-exclusive use of no more than its Prorata Share of parking spaces which shall be defined as 13.9% of the spaces identified in Exhibit D. Tenant shall not park or permit the parking of Tenant's vehicles or trucks or the vehicles or trucks of Tenant's suppliers or others, in any portion of the Common Area not designated by Landlord for such use by Tenant. Tenant shall not abandon any inoperative vehicles or equipment on any portion of the Common Area. Tenant shall make no alterations,

ATTACHMENT A

improvements or additions to the Common Area. Landlord shall operate, manage, maintain and repair the Common Area in good order, condition and repair. The manner in which the Common Area shall be maintained and the expenditures for such maintenance shall be at the discretion of Landlord. The cost of such repair, maintenance, operation and management, including without limitation, the cost of maintenance and repair of landscaping, irrigation systems, paving, sidewalks, fences, lighting, and monthly property management fees based on five percent (5%) of the gross receipts from the Building, shall be a Common Area Charge and Tenant shall pay to Landlord its share of such costs as provided in paragraph 12 below. Notwithstanding anything to the contrary common area costs will include the cost of any capital improvements only if such improvements either a.) will significantly effect economies in the operation or maintenance of the Building or b.) are required under any governmental law or regulation or any amendment thereto enacted or otherwise first effective after the Commencement Date; provided, however, that such costs shall be amortized over its useful life as determined in accordance with generally accepted accounting principals. The following items shall not be included in common area charges: i.) costs, fines, interest and penalties incurred due to the late payment of real property taxes or assessments; ii.) interest and principal payment on mortgages and other debt costs; iii.) depreciation; iv.) any bad debt loss, rent loss or other reserves of any kind or nature; v.) management fees other than as described above; v.) the cost of any services provided by Landlord or any affiliate of landlord to the extent the same exceeds the costs of such services rendered by qualified, unaffiliated third parties on a competitive basis in Santa Cruz County; vi.) costs incurred in connection with the sale, financing or refinancing of the Building.

12. Common Area Charges.

A. Tenant shall pay to Landlord, as additional rent, in accordance with the procedures set forth in subparagraph B below, an amount equal to thirty-nine.eight percent (39.8%) of the Common Area Charges as defined in this Lease. Tenant acknowledges and agrees that the Common Area Charge shall include an additional five percent (5%) of the actual expenditures in order to compensate the Landlord for accounting and processing services. Notwithstanding the above, if a common area charge is allocated to the entire Project then Tenant share of that charge shall be prorated based on the square footage of the entire Project.

B. Tenant's share of the Common Area Charges and the Property Taxes shall be payable in advance on the first day of each month, in an amount equal to one-twelfth (1/12) of Landlord's reasonable estimate of Tenant's share of the annual Common Area Charges and Property Taxes. Within ninety (90) days after the end of each calendar year, Landlord shall furnish Tenant a written statement of the actual Common Area Charges and Property Taxes incurred during the preceding calendar year. If Tenant's payments under this Paragraph 12 during said preceding calendar year exceed Tenant's share of the actual Common Area Charges and Property Taxes incurred during said previous year as indicated in said statement, Tenant shall be entitled to credit the amount of such overpayment against Tenant's share of Common Area Charges and Property Taxes next falling due. If Tenant's payments under this paragraph during said preceding calendar year were less than Tenant's share of the actual Common Area Charges and Property Taxes incurred during said previous year as indicated in said statement, Tenant shall pay to Landlord the amount of the deficiency within ten (10) days after delivery by Landlord to Tenant of said statement.

13. **Alterations.** Tenant shall not make, or suffer to be made, any alterations, improvements or additions in, on, about or to the Premises or any part thereof, without the prior written consent of Landlord which shall not be unreasonably withheld. All Tenant alterations, improvements or additions shall be constructed in accordance with applicable building codes and guideline. Tenant as a rapid transit district has the right to self-permit and will do so at its discretion provided it also gives Landlord the applicable equivalent of construction drawings. As a condition to giving such consent, Landlord may require that Tenant post a payment and/or performance bond insuring that all contractor's, subcontractors and material suppliers will be timely paid and/or that Tenant agree to remove any such alteration, improvements or additions at the termination of this Lease, and to restore the Premises to their prior condition. Unless Landlord requires that Tenant remove any such alteration, improvement or addition, any alteration, addition or improvement to the Premises, except moveable furniture and trade fixtures not affixed to the Premises, shall become the property of Landlord upon installation and shall remain upon and be surrendered with the Premises at the termination of this Lease. Without limiting the generality of the foregoing, all heating, lighting, electrical (including all wiring, conduit, outlets, drops, buss ducts, main and subpanels), air conditioning, partitioning, drapery, and carpet installations made by Tenant regardless of how affixed to the Premises, together with all other additions, alterations and improvements that have become an integral part of the building in which the Premises are a part, shall be and become the property of the Landlord upon installation, and shall not be deemed

ATTACHMENT A

trade fixtures, and shall remain upon and be surrendered with the Premises at the termination of this Lease (see Exhibit "B"). If, during the term hereof, any alteration, addition or change of any sort to all or any portion of the Premises is required by law, regulation, ordinance or order of any public agency, Tenant shall promptly make the same at its sole cost and expense. If during the term hereof, any alteration, addition, or change to the Common Area is required by law, regulation, ordinance or order of any public agency, Landlord shall make the same and the cost of such alteration, addition or change shall be a Common Area charge and Tenant shall pay its share of said cost to Landlord as provided in Paragraph 12 above. Notwithstanding the above, Tenant may make non-structural alterations to the Premises of up to \$10,000 without Landlord's consent.

14. Acceptance of the Premises. By entry and taking possession of the Premises pursuant to this Lease, Tenant accepts the Premises as being in good and sanitary order, condition and repair and accepts the Premises in their condition existing as of the date of such entry. Tenant acknowledges that neither the Landlord nor Landlord's agents has made any representation or warranty as to the suitability of the Premises to the conduct of Tenant's business. Any agreements, warranties or representations not expressly contained herein shall in no way bind either Landlord or Tenant, and Landlord and Tenant expressly waive all claims for damages by reason of any statement, representation, warranty, promise or agreement, if any, not contained in this Lease. This Lease constitutes the entire understanding between the parties hereto and no addition to, or modification of, any term or provision of this Lease shall be effective until set forth in writing signed by both Landlord and Tenant.

15. Default.

A. Events of Default. A breach of this Lease shall exist if any of the following events (hereinafter referred to as "Event of Default") shall occur:

- (1) Default in the payment when due of any installment of rent or other payment required to be made by Tenant hereunder, and such default shall not have been cured within three (3) days after written notice of such default is given to Tenant;
- (2) Tenant's failure to perform any other term, covenant or condition contained in this Lease and such failure shall have continued for fifteen (15) days after written notice of such failure is given to Tenant;
- (3) Tenant's vacating or abandonment of Premises;
- (4) Tenant's assignment of its assets for the benefit of its creditors;
- (5) The sequestration of, attachment of, or execution on, any substantial part of the property of Tenant or on any property essential to the conduct of Tenant's business, shall have occurred and Tenant shall have failed to obtain a return or release of such property within thirty (30) days thereafter or prior to such sale pursuant to such sequestration, attachment or levy, whichever is earlier;
- (6) The Tenant or any guarantor of Tenant's obligations hereunder shall commence any case, proceeding or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seek appointment of a receiver, trustee, custodian, or other similar official for it or for all or any substantial part of its property;
- (7) The Tenant or any such guarantor shall take any corporate action to authorize any of the actions set forth in Clause 6 above; or
- (8) Any case, proceeding or other action against the Tenant or any guarantor of the Tenant's obligations hereunder shall be commenced seeking to have an order for relief entered against it as debtor, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its property, and such case, proceeding or other action (i) results in the entry of an order for relief against it which is not fully stayed within seven (7)

ATTACHMENT A

business days after the entry thereof or (ii) remains undismissed for a period of forty-five (45) days.

B. Remedies. Upon any Event of Default, Landlord shall have the following remedies, in addition to all other rights and remedies provided by law, to which Landlord may resort cumulatively, or in the alternative:

(1) **Recovery of Rent.** Landlord shall be entitled to keep this Lease in full force and effect (whether or not Tenant shall have abandoned the Premises) and to enforce all of its rights and remedies under this Lease, including the right to recover rent and other sums as they become due, plus interest at the maximum rate allowable by law per annum from the due date of each installment of rent or other sum until paid.

(2) **Termination.** Landlord may terminate this Lease by giving Tenant written notice of termination. On the giving of the notice all of Tenant's rights in the Premises and the building and parcel of which the Premises are a part, shall terminate. Upon the giving of the notice of termination, Tenant shall surrender and vacate the Premises in the condition required by Paragraph 34, and Landlord may re-enter and take possession of the Premises and all the remaining improvements or property and eject Tenant or any of Tenant's subtenants, assignees or other person or persons claiming any right under or through Tenant or eject some and not others or eject none. This Lease may also be terminated by a judgment specifically providing for termination. Any termination under this paragraph shall not release Tenant from the payment of any sum then due Landlord or from any claim for damages or rent previously accrued or then accruing against Tenant. In no event shall any one or more of the following actions by Landlord constitute a termination of this Lease:

- (a) maintenance and preservation of the Premises;
- (b) efforts to relet the Premises;
- (c) appointment of a receiver in order to protect Landlord's interest hereunder;
- (d) consent to any subletting of the Premises or assignment of this Lease by Tenant, whether pursuant to provisions hereof concerning subletting and assignment or otherwise; or
- (e) any other action by Landlord or Landlord's agents intended to mitigate the adverse effects from any breach of this Lease by Tenant

(3) **Damages.** In the event this Lease is terminated pursuant to subparagraph 15B-2 above, or otherwise, Landlord shall be entitled to damages in the following sums:

- (a) the worth at the time of award of the unpaid rent which has been earned at the time of termination; plus
- (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; plus
- (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 that Tenant proves could be reasonably avoided; and
- (d) any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom including, without limitation, the following:

ATTACHMENT A

(i) expenses for cleaning, repairing or restoring the Premises; (ii) expenses for altering, remodeling or otherwise improving the Premises for the purpose of reletting, including installation of leasehold improvements (whether such installation be funded by a reduction of rent, direct payment or allowance to the succeeding Tenant, or otherwise); (iii) real estate broker's fees, advertising costs and other expenses of reletting the Premises; (iv) costs of carrying the Premises such as taxes and insurance premiums thereon, utilities and security precautions; (v) expenses in retaking possession of the Premises; (vi) attorney's fees and court costs; and (vii) any unamortized real estate brokerage commission paid in connection with this Lease.

(e) the "worth at the time of award" of the amounts referred to in subparagraphs (a) and (b) of this paragraph, is computed by allowing the maximum interest rate applicable by law per annum. The "worth at the time of award" of the amounts referred to in subparagraph (c) of this paragraph is computed by discounting such amount at the discount rate of the Federal Reserve Board of San Francisco at the time of award plus one percent (1%). The term "rent" as used in this paragraph shall include all sums required to be paid by Tenant to Landlord pursuant to the terms of this Lease.

16. Destruction.

A. In the event that any portion of the Premises are destroyed or damaged by an uninsured peril, Landlord or Tenant may, upon written notice to the other, given within thirty (30) days after the occurrence of such damage or destruction, elect to terminate this Lease; provided however, that either party may, within thirty (30) days after receipt of such notice, elect to make any required repairs and/or restoration at such party's sole cost and expense, in which event this Lease shall remain in full force and effect, and the party having made such election to restore or repair shall thereafter diligently proceed with such repairs and/or restoration.

B. In the event the Premises are damaged or destroyed from any insured peril to the extent of thirty percent (30%) or more of the then replacement cost of the Premises, Landlord may, upon written notice to Tenant, given within thirty (30) days after the occurrence of such damage or destruction, elect to terminate this Lease. If Landlord does not give such notice in writing within such period, Landlord shall be deemed to have elected to rebuild or restore the Premises, in which event Landlord shall, at its expense, promptly rebuild or restore the Premises to their condition prior to the damage or destruction and Tenant shall pay to Landlord upon commencement of reconstruction the amount of any deductible from the insurance policy in an amount not to exceed \$5,000.

C. In the event the Premises are damaged or destroyed from any insured peril to the extent of less than thirty percent (30%) of the then replacement cost of the Premises, Landlord shall, at Landlord's expense, promptly rebuild or restore the Premises to their condition prior to the damage or destruction and Tenant shall pay to Landlord upon commencement of reconstruction the amount of any deductible from the insurance policy in an amount not to exceed \$5,000.

D. In the event that, pursuant to the foregoing provisions, Landlord is to rebuild or restore the Premises, Landlord shall, within thirty (30) days after the occurrence of such damage or destruction, provide Tenant with written notice of the time required for such repair or restoration. If such period is longer than one hundred eighty (180) days from the issuance of a building permit, Tenant may, within thirty (30) days after receipt of Landlord's notice, elect to terminate the Lease by giving written notice to Landlord of such election, whereupon the Lease shall immediately terminate. The period of time for Landlord to complete the repair or restoration shall be extended for delays caused by the fault or neglect of Tenant or because of acts of God, acts of publication, labor disputes, strikes, fires, freight embargoes, rainy or stormy weather, inability to obtain materials, suppliers or fuels, acts of contractors or subcontractors, or delay of contractors or subcontractors due to such causes or other contingencies beyond the control of Landlord. Landlord's obligation to repair or restore the Premises shall not

ATTACHMENT A

include restoration of Tenant's trade fixtures, equipment, merchandise, or any improvements, alterations or additions made by Tenant to the Premises.

E. Unless this Lease is terminated pursuant to the foregoing provisions, this Lease shall remain in full force and effect; provided however, that during any period of destruction, repairs or restoration, rent and all other amounts to be paid by Tenant and any other Tenant obligations on account of the Premises and this Lease shall be abated in proportion to the area of the Premises rendered not reasonably suitable for the conduct of Tenant's business thereon. Notwithstanding the foregoing, if the damaged or destroyed portion of the Premises adversely impacts the operation of Tenant's business on the Premises to the extent that Tenant cannot conduct its business on the Premises than no lease obligations shall be owed by Tenant

17. Condemnation.

A. **Definition of Terms.** For the purpose of this Lease, the term (1) "Taking" means a taking of the Premises or damage to the Premises related to the exercise of the power of eminent domain and includes a voluntary conveyance, in lieu of court proceedings, to any agency, authority, public utility, person or corporate entity empowered to condemn property; (2) "Total Taking" means the taking of the entire Premises or so much of the Premises as to prevent or substantially impair the use thereof by Tenant for the uses herein specified; provided, however, in no event shall a "Taking" of less than ten percent (10%) of the Premises be deemed a Total Taking; (3) "Partial Taking" means the taking of only a portion of the Premises which does not constitute a Total Taking; (4) "Date of Taking" means the date upon which the title to the Premises, or a portion thereof, passes to and vests in the condemn or the effective date of any order for possession if issued prior to the date title vests in the condemn; and (5) "Award" means the amount of any award made, consideration paid, or damage ordered as a result of a Taking

B. **Rights.** The parties agree that in the event of a Taking all rights between them or in and to an Award shall be as set forth herein and Tenant shall have no right to any Award except as set forth herein.

C. **Total Taking.** In the event of a Total Taking during the term hereof (1) the rights of Tenant under the Lease and the leasehold estate of Tenant in and to the Premises shall cease and terminate as of the Date of the Taking; (2) Landlord shall refund to Tenant any prepaid rent; (3) Tenant shall pay the Landlord any rent or charges due Landlord under the Lease, each prorated as of the Date of Taking; (4) Tenant shall receive from the Landlord those portions of the Award attributable to trade fixtures of Tenant and for moving expenses of Tenant; and (5) the remainder of the Award shall be paid to and be the property of Landlord.

D. **Partial Taking.** In the event of a Partial Taking during the term hereof (1) the rights of Tenant under the Lease and the leasehold estate of Tenant in and to the portion of the Premises taken shall cease and terminate as of the Date of Taking; (2) from and after the Date of Taking the Monthly Installment of rent shall be an amount equal to the product obtained by multiplying the Monthly Installment of rent immediately prior to the taking by a fraction the numerator of which is the number of square feet contained in the Premises after the Taking and the denominator of which is the number of square feet contained in the Premises prior the Taking; (3) Tenant shall receive from the Award the portions of the Award attributable to trade fixtures of Tenant; and (4) the remainder of the Award shall be paid to and be the property of the Landlord. Notwithstanding the foregoing, if the partial taking renders Tenant unable to perform his entire ParaCruz operation on the Premises Tenant may elect to terminate the lease without any further obligation under the lease by giving Landlord thirty (30) days written notice of such termination.

18. **Mechanic's Lien.** Tenant shall (1) pay for all labor and services performed for, materials used by or furnished to, Tenant or any contractor employed by Tenant with respect to the Premises, and (2) indemnify, defend and hold Landlord and the Premises harmless and free from any liens, claims, demands, encumbrances, or judgments created or suffered by reason of any labor or services performed for, materials, used by or furnished to, Tenant or any contractor employed by Tenant with respect to the Premises, and (3) give notice to Landlord in writing five (5) days prior to employing any laborer or contractor to perform services related to, or receiving materials for use upon the Premises, and (4) permit Landlord to post a notice of non-responsibility in accordance with the statutory requirements of California Civil Code Section 3094 or any amendment thereof. In the event Tenant is required to post an improvement bond with a public agency in connection with the above, Tenant agrees to include Landlord as an additional obligee

ATTACHMENT A

19. Inspection of the Premises. Tenant shall permit Landlord and its agents to enter the Premises at any reasonable time for the purpose of inspecting the same, performing Landlord's maintenance and repair responsibilities, posting a notice of non-responsibility for alterations, additions or repairs and at any time within ninety (90) days prior to expiration of this Lease, to place upon the Premises, ordinary "For Lease" or "For Sale" signs.

20. Compliance with Laws. Tenant shall, at its own cost, comply with all of the requirements, if applicable, of all municipal, county, state and federal authority now in force, or which may hereafter be in force, pertaining to the use and occupancy of the Premises, and shall faithfully observe, if applicable, all municipal, county, state and federal statutes or ordinances now in force or which may hereafter be in force. The judgment of any court of competent jurisdiction or the admission of Tenant in any action or proceeding against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any such ordinance or statute in the use and occupancy of the Premises shall be conclusive of the fact that such violation by Tenant has occurred.

21. Subordination.

A. Rights. At the option of Landlord, the rights of Tenant under this Lease shall be subject and subordinate to any mortgage or deed of trust which are or may hereafter be placed upon the Premises, or any part thereof, by Landlord.

B. Documents. Tenant shall, upon Landlord's request, promptly execute any instrument (including an amendment to this Lease) of instruments of subordination necessary to subordinate this Lease to any mortgage or deed of trust to be placed upon the Premises, or any part thereof, by Landlord in accordance with Paragraph 21A. Tenant agrees to recognize any mortgagee or beneficiary of the deed of trust subsequently encumbering the Premises and any party acquiring title to the Premises, by judicial foreclosure or a trustee's sale, as a successor to Landlord hereunder.

22. Holding Over. This Lease shall terminate without further notice at the expiration of the Lease Term. Any holding over by Tenant after expiration shall not constitute a renewal or extension or give Tenant any rights in or to the Premises except as expressly provided in this Lease. Any holding over after the expiration with the consent of Landlord shall be construed to be a tenancy from month to month, at one hundred fifty percent (150%) of the monthly rent for the last month of the Lease Term, and shall otherwise be on the terms and conditions herein specified insofar as applicable.

23. Notices. Any notice required or desired to be given under this Lease shall be in writing with copies directed as indicated below and shall be personally served or given by mail. Any notice given by mail shall be deemed to have been given when forty-eight (48) hours have elapsed from the time which such notice was deposited in the United States mails, certified and postage prepaid, addressed to the party to be served with a copy as indicated herein at the last address given by that party to the other party under the provisions of this paragraph.

At the date of execution of this Lease, the address of Landlord is:
14651 S. Bascom Avenue, Suite 280
Los Gatos, CA 95032

At the date of execution of this Lease, the address of Tenant is:
Leslie White, General Manager
Santa Cruz Metropolitan Transit District
370 Encinal, Suite 100
Santa Cruz, CA 95060

24. Attorneys' Fees. In the event either party shall bring any action or legal proceeding for damages for any alleged breach of any provisions of this Lease, to recover rent or possession of the Premises, to terminate this Lease, or to enforce, protect or establish any term or covenant of this Lease or right or remedy of either party, the prevailing party shall be entitled to recover as a part of such action or proceeding, reasonable attorneys' fees and court costs, including attorneys' fees and costs for appeal, as may be fixed by the court or jury. The term "prevailing party" shall mean the party who received substantially the relief requested, whether by settlement, dismissal, summary judgment, judgment, or otherwise.

ATTACHMENT A

25. Nonassignment.

A. Tenant's interest in this Lease is not assignable, by operation of law or otherwise, nor shall Tenant have the right to sublet the Premises, transfer any interest of Tenant therein or permit any use of the Premises by another party, without the prior written consent of Landlord to such assignment, subletting, transfer or use, which consent Landlord agrees not to unreasonably withhold subject to the provisions of Subparagraph B below. A consent to one assignment, subletting, occupancy or use by another party shall not be deemed to be a consent to any subsequent assignment, subletting, occupancy or use by another party. Any assignment or subletting without such consent shall be void and shall, at the option of Landlord, terminate this Lease. Landlord's waiver or consent to any assignment or subletting hereunder shall not relieve Tenant from any obligation under this Lease unless the consent shall so provide.

B. If Tenant desires to assign its interest in this Lease or sublet the Premises, or transfer any interest of Tenant therein, or permit the use of the Premises by another party (hereinafter collectively referred to as a "Transfer"), Tenant shall give Landlord at least thirty (30) days prior written notice of the proposed Transfer and of the terms of such proposed Transfer, including but not limited to, the name and legal composition of the proposed transferee, a financial statement of the proposed transferee, the nature of the proposed transferee's business to be carried on in the Premises, the payments to be made or other consideration to be given on account of the Transfer, and such other pertinent information as may be requested by Landlord, all in sufficient detail to enable Landlord to evaluate the proposed Transfer and the prospective transferee. It is the intent of the parties hereto that this Lease shall confer upon Tenant only the right to use and occupy the Premises, and to exercise such other rights as are conferred upon Tenant by this Lease. The parties agree that this Lease is not intended to have a bonus value nor to serve as a vehicle whereby Tenant may profit by a future Transfer of this Lease or the right to use or occupy the Premises as a result of any favorable terms contained herein, or future changes in the market for leased space. It is the intent of the parties that any such bonus value that may attach to this Lease shall be and remain the exclusive property of Landlord. Accordingly, (i) Landlord may consent to the proposed Transfer on the condition that Tenant agrees to pay to Landlord, as additional rent, fifty percent (50%) of any and all rents or other consideration (including key money) received by Tenant from the transferee by reason of such Transfer in excess of the rent payable by Tenant to Landlord under this Lease (less any brokerage commissions or advertising expenses incurred by Tenant in connection with the Transfer). Tenant expressly agrees that the foregoing is a reasonable condition for obtaining Landlord's consent to any Transfer.

C. In connection with each requested Transfer, Tenant shall pay Landlord's property manager for fees not to exceed Five Hundred Dollars (\$500.00) incurred in connection with reviewing Tenant's request.

26. Successors. The covenants and agreements contained in this Lease shall be binding on the parties hereto and on their respective heirs, successors and assigns (to the extent the Lease is assignable).

27. Mortgagee Protection. In the event of any default on the part of Landlord, Tenant will give notice by registered or certified mail to any beneficiary of a deed of trust or mortgagee of a mortgage, encumbering the Premises whose address shall have been furnished it, and shall offer such beneficiary or mortgagee a reasonable opportunity to cure the default, including time to obtain possession of the Premises by power of sale or judicial foreclosure, if such should prove necessary to effect a cure.

28. Landlord Loan or Sale. Tenant agrees promptly following request by Landlord to (A) execute and deliver to Landlord any documents, including estoppel certificates presented to Tenant by Landlord, (i) certifying, if accurate, that this Lease is unmodified and in full force and effect and the date to which the rent and other charges are paid in advance, if any, and (ii) acknowledging, if accurate, that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, and (iii) evidencing the status of the Lease as may be required, either by a lender making a loan to Landlord to be secured by deed of trust or mortgage covering the Premises or a purchaser of the Premises from Landlord and (B) to deliver to Landlord the financial statement of Tenant with an opinion of a certified public accountant, including a balance sheet and profit and loss statement, for the last completed fiscal year all prepared in accordance with generally accepted accounting principals consistently applied.

ATTACHMENT A

Tenant's failure to deliver an estoppel certificate promptly following such request shall be an Event of Default under this Lease.

29. **Surrender of Lease Not Merger.** The Voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, terminate all or any existing subleases or subtenants, or operate as an assignment to Landlord of any or all such subleases or subtenants.

30. **Waiver.** The waiver of Landlord or Tenant of any breach of any term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition herein contained.

31. **General.**

A. The captions and paragraph headings used in this Lease are for the purposes of convenience only. They shall not be construed to limit or extend the meaning of any part of this Lease.

B. The term Landlord as used in this Lease, so far as the covenants or obligations on the part of the Landlord are concerned, shall be limited to mean and include only the owner at the time in question of the fee title of the Premises, and in the event of any transfer or transfers of the title of such fee, the Landlord herein named (and in case of any subsequent transfers or conveyances, the then grantor) shall after the date of such transfer or conveyance be automatically freed and relieved of all liability with respect to performance of any covenants or obligations on the part of Landlord contained in this Lease, thereafter to be performed; provided, that any funds in the hands of Landlord or the then grantor at the time of such transfer, in which Tenant has an interest, shall be turned over to the grantee. It being intended that the covenants and obligations contained in this Lease on the part of Landlord shall, subject as aforesaid, be binding upon each Landlord, its heirs, personal representatives, successors and assigns only during its respective period of ownership

C. Time is of the essence for the performance of each term, covenant and condition of this Lease.

D. In case any one or more of the provisions contained herein, except for the payment of rent, shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Lease, but this Lease shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein. This Lease shall be construed and enforced in accordance with the laws of the State of California.

E. If Tenant is more than one person or entity, each such person or entity shall be jointly and severally liable for the obligations of Tenant hereunder.

32. **Signs.** Tenant shall not place or permit to be placed any sign or decoration on the land or the exterior of the building in which the Premises are located without the prior written consent of Landlord. Tenant, upon written notice by Landlord, shall immediately remove any sign or decoration that Tenant has placed or permitted to be placed on the land or the exterior of the building without the prior written consent of Landlord, and if Tenant fails to so remove such sign or decoration within five (5) days after Landlord's written notice, Landlord may enter upon the Premises and remove said sign or decoration and Tenant agrees to pay Landlord, as additional rent upon demand, the cost of such removal. At the termination of this Lease, Tenant shall remove any sign which it has placed on the land or building in which the Premises are located, and shall repair any damage caused by the installation or removal of such sign. All signage shall be per Landlord's criteria and shall be at Tenant's expense.

33. **Interest on Past Due Obligations.** Any amount due to Landlord not paid when due shall bear interest at the maximum rate applicable by law per annum from the due date. Payment of such interest shall not excuse or cure any default by Tenant under this Lease.

34. **Surrender of the Premises.** On the last day of the term hereof, or on sooner termination of this Lease, Tenant shall surrender the Premises to Landlord in their condition existing as of the Commencement Date of this Lease, ordinary wear and tear excepted, with all originally painted interior walls washed, and other interior walls cleaned, and repaired or replaced, all carpets shampooed and cleaned, the air conditioning and heating

ATTACHMENT A

equipment serviced and repaired by a reputable and licensed service firm, all floors cleaned and waxed, all to the reasonable satisfaction of Landlord. Tenant shall remove all of Tenant's personal property and trade fixtures from the Premises, and all property not so removed shall be deemed abandoned by Tenant. Tenant, at its sole cost, shall repair any damage to the Premises caused by the removal of Tenant's personal property, machinery and equipment, which repair shall include the patching and filling of holes and repair of structural damage. If the Premises are not so surrendered at the termination of this Lease, Tenant shall indemnify Landlord against loss or liability resulting from delay by Tenant in so surrendering the Premises including without limitation, any claims made by any succeeding tenant or losses to Landlord due to lost opportunities to lease to succeeding tenants

35. **Authority.** The undersigned parties hereby warrant that they have proper authority and are empowered to execute this Lease on behalf of Landlord and Tenant, respectively.

36. **C. C. & R.'s.** This Lease is made subject to all matters of public record affecting title to the property of which the Premises are a part. Tenant shall abide by and comply with all private conditions, covenants and restrictions of public record now or hereafter affecting the Premises and any amendments thereof. All assessments and charges which are imposed, levied or assessed against the parcel and buildings of which the Premises are a part pursuant to the above-described covenants, conditions and restrictions shall be a Common Area Charge and Tenant shall pay its share of such assessments and charges to Landlord as provided in Paragraph 12 above.

37. **Hazardous Wastes.**

A. Definitions. As used herein, the term "Hazardous Material" shall mean any substance or material which has been determined by any state, federal or local governmental authority to be capable of posing a risk of injury to health, safety or property, including all of those materials and substances designated as hazardous or toxic by the Environmental Protection Agency, the California Water Quality Control Board, the Department of Labor, the California Department of Industrial Relations, the Department of Transportation, the Department of Agriculture, the Consumer Product Safety Commission, the Department of Health and Human Services, the Food and Drug Agency or any other governmental agency now or hereafter authorized to regulate materials and substances in the environment. Without limiting the generality of the foregoing, the term "Hazardous Material" shall include all of those materials and substances defined as "Toxic Materials" in Sections 66680 through 66685 of Title 22 of the California Administrative Code, Division 4, Chapter 30 as the same shall be amended from time to time.

B. Use Restriction. Subject to applicable law and the terms and conditions set forth herein Tenant shall not cause or permit any Hazardous Material to be used, stored, or disposed of in or about the Premises, except that Tenant is permitted to store, use and dispose of all products and substances, including hazardous materials and toxic substances, necessary to maintain and repair its vehicles and vans. The appearance of any Hazardous Material that is not permitted by this Lease in or about the Premises shall be deemed an Event of Default. Without limiting the generality of the foregoing, Tenant, at its sole cost, shall comply with all laws relating to the storage, use and disposal of Hazardous Materials. If the presence of Hazardous Materials on the Premises caused or permitted by Tenant results in damage to or contamination of the Premises or any plumbing or drainage systems on the Premises, or any soil in or about the Premises, Tenant, at its expense, shall promptly take all actions necessary to return the Premises to the conditions existing prior to the appearance of such Hazardous Material. Tenant expressly agrees not to pour any Hazardous Materials into the plumbing or drainage systems on the Premises. Tenant shall defend, hold harmless, protect and indemnify Landlord and its agents and employees with respect to all claims, damages and liabilities arising out of or in connection with any Hazardous Material used, stored, or disposed of in or about the Premises including, but not limited to, providing all closure reports required by Tenant's use of the Premises and Hazardous Materials. Tenant shall not suffer any lien to be recorded against the Premises as a consequence of a Hazardous Material, including any so called state, federal or local "super fund" lien related to the "clean-up" of a Hazardous Material in or about the Premises. Landlord shall be solely responsible for any hazardous materials that were used, stored or brought onto or into the Premises prior to the commencement of this lease.

C. Compliance. Tenant shall immediately notify Landlord of any inquiry, test, investigation, and enforcement proceeding by or against Tenant or the Premises concerning a Hazardous Material. Tenant acknowledges that Landlord, as the owner of the Property, at its election, shall have the sole right, at Tenant's expense, to negotiate, defend, approve and appeal any action taken or order issued with regard to a Hazardous Material brought into the premises by Tenant by an applicable governmental authority. Landlord shall have the right to appoint a consultant, at Tenant's expense, to conduct an investigation to determine whether Hazardous

ATTACHMENT A

Materials are being used, stored and disposed of in an appropriate manner by Tenant. Tenant, at its expense, shall comply with all recommendations of the consultant if such recommendations relate to the Premises, are in accordance with applicable hazardous material legal requirements, and such recommendations are reasonable. Tenant is required to produce, at its expense, all reports required to show compliance with the restrictions specified in paragraph 37B including but not limited to providing all closure reports required by Tenant's use of the Premises and Hazardous Materials.

D. Assignment and Subletting. It shall not be unreasonable for Landlord to withhold its consent to any proposed assignment or subletting if (i) the proposed assignee's or sublessee's anticipated use of the Premises involves the storage, use or disposal of Hazardous Materials except as it pertains to Tenant's operations; (ii) if the proposed assignee or sublessee has been required by any prior Landlord, lender or governmental authority to "clean-up" Hazardous Material; (iii) if the proposed assignee or sublessee is subject to investigation or an enforcement order or proceeding by any governmental authority in connection with the use, disposal or storage of a Hazardous Material.

E. Surrender. Upon the expiration or earlier termination of the Lease, Tenant, at its sole cost, shall remove all Hazardous Materials from the Premises and shall surrender the Premises free of Hazardous Materials. If Tenant fails to so surrender the Premises, Tenant shall indemnify, protect, defend and hold Landlord harmless of all damages and liabilities resulting from Tenant's failure to surrender the Premises as required by this paragraph, including without limitation any claims or damages in connection with the condition of the Premises including, without limitation, damages occasioned by the inability to relet the Premises or a reduction in the fair market and/or rental value of the Premises by reason of the existence of any Hazardous Materials in or around the Premises.

F. Landlord shall indemnify, defend and hold Tenant harmless from and against any claims, suits, causes of action, costs and fees, including attorney's fees and costs, arising out of or in connection with any contamination caused by the acts of the Landlord, its agents, employees, invitees or its other current or former tenants.

G. All provisions of this paragraph 37 shall survive the termination of this Lease.

38. Option to Extend.

A. Provided that Landlord has not assigned or sublet all or any part of the Premises, and provided further that Tenant is not in default under this Lease at the time of exercise of the hereinafter described option or at the time of termination of then existing term of this Lease, as the case may be, Tenant shall have two options to extend the term of this Lease for a period of five years each (the "Extended Term"). Tenant may exercise said option only by giving Landlord written notice of its exercise of said option no later than one hundred eighty (180) days prior to the expiration date of this Lease. If Tenant does not notify Landlord in writing prior to the time frame as stipulated above, this Option to Renew shall be null and void. In all respects, the terms, covenants and conditions of this Lease shall remain unchanged during the Extended Term, except that the Monthly Installment of rent payable during the Extended Term shall be increased in accordance with subparagraph B. below, and except that there shall be no further Option to Extend the term of this Lease at the end of the Extended Term. The Option to Extend hereby granted is personal to the original Tenant under this Lease and is granted so that such original Tenant can occupy the Premises for its own use during the Extended Term. Accordingly, if the original Tenant under this Lease assigns this Lease or sublets all or part of the Premises, the option hereby granted shall automatically terminate without notice.

B. Promptly following the exercise of each option to extend, the parties shall meet and endeavor to agree upon the Fair Market Rental (including initial rental rate of the Extended Term and amount and timing of increases during the Extended Term) of the Premises as of the first day of the Extended Term. In determining the Fair Market Rental for the Premises, the Premises shall be compared only to buildings of a similar quality and size and with similar improvements and amenities in Santa Cruz County and all legal uses of the Premises shall be considered. If within thirty (30) days after the exercise of the option, the parties cannot agree upon the Fair Market Rental for the Premises as of the first day of the Extended Term, either party may terminate this Option by giving written notice to the other party prior to the expiration of the thirty (30) day period. If neither party elects to terminate the Option then both parties shall submit the matter to binding appraisal in accordance with the following procedure: Within thirty (30) days after the exercise of the Option, the parties shall either (a) jointly appoint an

ATTACHMENT A

appraiser for this purpose or (b) failing this joint action separately designate a disinterested appraiser. No person shall be appointed or designated an appraiser unless he or she has at least five (5) years experience in appraising major commercial property and is a member of a recognized society of real estate appraisers. If, within thirty five (35) days after the appointment, the two appraisers reach agreement on the Fair Market Rental for the Premises as of the first day of the Extended Term, that value shall be binding and conclusive upon the parties. If the two appraisers thus appointed cannot reach agreement on the question presented within thirty (30) days after their appointment, then the appraisers thus appointed shall appoint a third disinterested appraiser having like qualifications. If within thirty (30) days after the appointment of the third appraiser, a majority of appraisers agree on the Fair Market Rental of the Premises as of the first day of the Extended Term, that value shall be binding and conclusive upon the parties. If within thirty (30) days after the appointment of the third appraiser, a majority of the appraisers cannot reach agreement on the question presented, then the three appraisers shall each submit their independent appraisal to the parties and the appraisal farthest from the median of the three appraisals shall be disregarded and the mean average of the remaining two appraisals shall be deemed to be the Fair Market Rental of the Premises as of the first day of the Extended Term and shall be binding and conclusive upon the parties. Each party shall pay the fees and expenses of the appraiser appointed by it and shall share equally the fees and expenses of the third appraiser. If the two appraisers appointed by the parties cannot agree on the appointment of the third appraiser, they or either of them shall give notice of such failure to agree to the parties and if the parties fail to agree upon the selection of such third appraiser within ten (10) days after the appraisers appointment by the parties give such notice, then either of the parties, upon notice to the other party, may request such appointment by the American Arbitration Association, or on its failure, refusal or inability to act, may apply for such appointment to the presiding judge of the Superior Court of Santa Clara County, California.

40. **Quiet Possession.** Upon payment by Tenant of the rent for the Premises and the performance of all the covenants, conditions and provisions on Tenant's part to be observed and performed under this Lease, Tenant shall have quiet possession of the Premises for the entire term hereof subject to all the provisions of this Lease.

41. **Attachments.** Attached hereto are the following documents, which constitute a part of this Lease:

| | |
|-----------|---|
| Exhibit A | Floor Plan |
| Exhibit B | Improvements |
| Exhibit C | Rules and Regulations |
| Exhibit D | Parking Agreement |
| Exhibit E | List of Landlord-owned furniture that is part of this Lease |

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates set forth below

LANDLORD:

By: Soquel III Associates

Date: _____

TENANT:

By: Leslie White Leslie White

Name: Santa Cruz Metropolitan Transit District

Title: General Manager

Date: 9/1/04

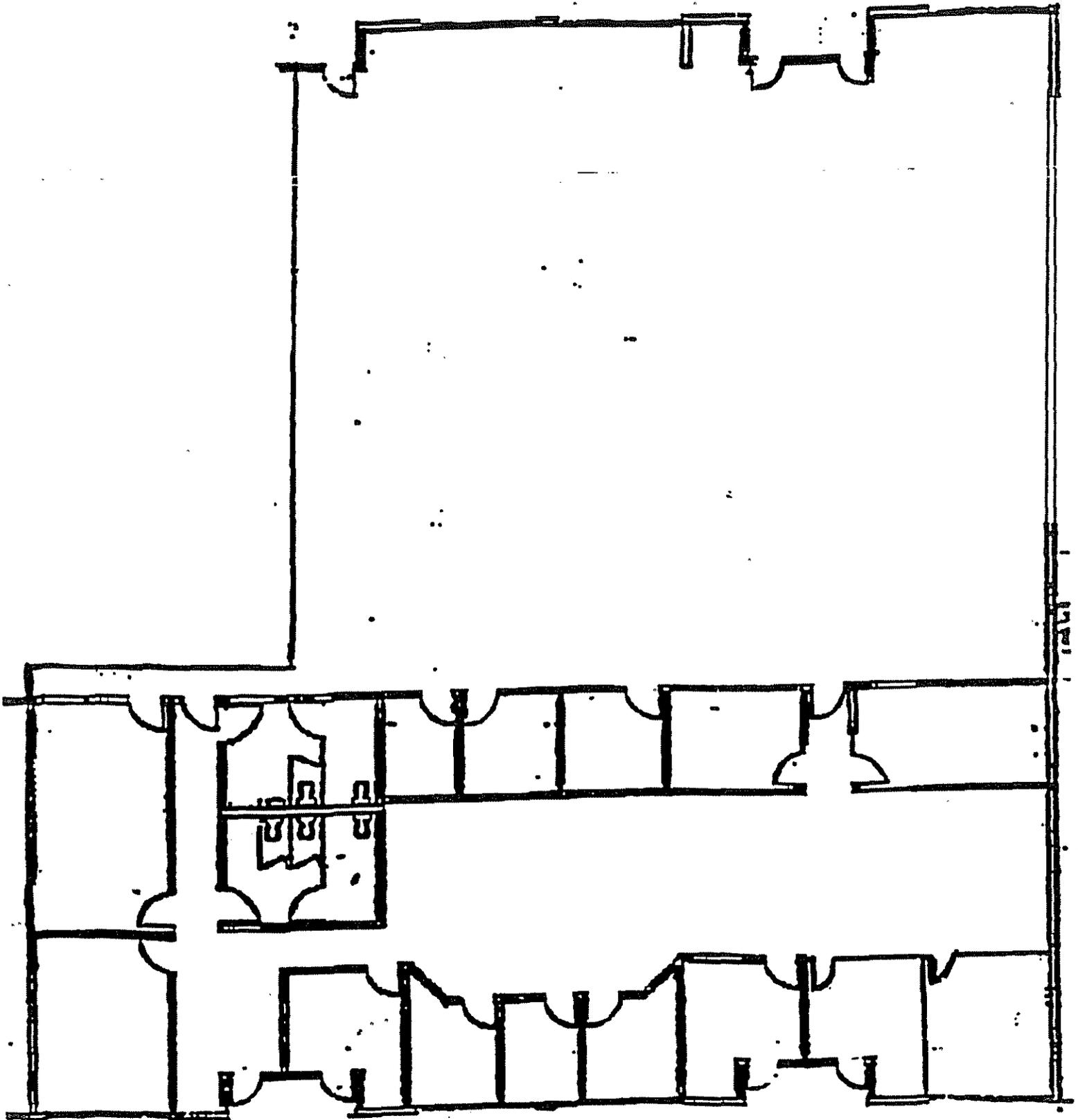
ATTACHMENT A

EXHIBIT A

2880 Research Park Drive, Suite 160, Soquel

9,318 rentable square feet

9,263 usable square feet



ATTACHMENT A

EXHIBIT B IMPROVEMENT PLAN

1. Within 60 days of the execution of this Lease, Landlord shall construct the following certain interior improvements (the Improvements") in the Premises as shown in Exhibit A:
 - (a.) remove racking in the warehouse area that Tenant does not want to use for its operations;
 - (b.) patch and paint walls in office area;
 - (c.) replace carpet in office area;
 - (d.) replace damaged or stained ceiling tiles;
 - (e.) remove drywall that has been installed inhibiting a fire sprinkler head under staircase in the storage area which is not in compliance with Central Fire Protection District Fire Code;
 - (f.) remove windows from storage area offices;
 - (g.) repair or replace damaged or missing insulation in the warehouse area;
 - (h.) repair one-hour fire wall in order to be in compliance with Central Fire Protection District Fire Code.

Carpet and paint shall be landlord's standard grade and colors. Landlord shall reasonably schedule and perform such improvements so as to minimize any interference with Tenant's operation to the maximum extent possible. Tenant will reasonably cooperate with landlord in the scheduling and completing of the improvement work.

2. No additional improvements to the Premises will be made by Landlord. Any additional improvements made shall be at Tenant's sole cost and expense, subject to approval of Landlord per terms of Lease Agreement and Landlord shall have no responsibility thereafter except that Tenant can make non-structural alterations up to \$10,000. Tenant shall have no right to order extra work or change orders with respect to the construction of the Improvements without the prior written consent of Landlord. All extra work or change orders requested by Tenant shall be made in writing and shall be effective only when approved in writing by the Landlord. In the event a change order requested by Tenant causes an increase in the costs of constructing the Improvements as determined by Landlord's contractor, Tenant shall pay to Landlord in cash prior to commencement of construction of the amount of the change order.
3. Landlord approves of Tenant, at its sole cost and expense, replacing the front door to the Premises with a power door for wheelchair access.
4. Landlord approves of Tenant, at its sole cost and expense, installing necessary vehicle repair and maintenance equipment and storage facilities including an above-ground vehicle lift in order to enable Tenant to repair and maintain its vehicles. Landlord agrees notwithstanding any term or condition of the lease that any equipment or facility installed pursuant to this provision shall remain the property of the Tenant and at the conclusion of the lease Tenant shall remove such equipment. Should repairs of the Premises be necessary as a result of Tenant's removal of such equipment, Tenant shall restore the Premises at its cost.

ATTACHMENT A

EXHIBIT C RULES AND REGULATIONS

1. No sign, placard, picture, advertisement, name or notice shall be inscribed, displayed or printed or affixed on or to any part of the outside of the Building without the written consent of Landlord and Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to and at the expense of Tenant otherwise.

All approved signs or lettering on doors shall be printed, painted, affixed or inscribed at the expense of Tenant by a person approved by Landlord. Size and design to be standard for the building and Tenant will be obliged to follow criteria as set forth by the Landlord.

Tenant shall not place anything or allow anything to be placed near the glass of any window, door, partition or wall, which may appear unsightly from outside the Premises. Tenant shall not, without prior written consent of Landlord cause or otherwise sunscreen any window

2. The sidewalks, passages, exits, entrances, parking lots, etc. shall not be obstructed by any of the tenants or used by them for any purpose other than for ingress to and egress from their respective Premises. These areas and the roof are not for the use of the general public and the Landlord shall in all cases retain the right to control and prevent access thereto by all persons whose presence in the judgment of the Landlord shall be prejudicial to the safety, character, reputation and interests of the Building and its tenants, provided that nothing herein contained shall be construed to prevent such access to persons with whom the tenants normally deal in the ordinary course of any tenant's business unless such persons are engaged in illegal activities. No tenant and no employees or invitees of any tenant shall go upon the roof of the Building. Any cars blocking driveway can be towed, and if the property of Tenant, Tenant will be charged for cost of said removal.

3. Tenant shall not alter any lock or install any new or additional locks or any bolts on any door of the Premises without the written consent of the Landlord

4. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein, and the expense of any breakage, stoppage or damage resulting from violation of this rule shall be borne by the Tenant.

5. Tenant shall not overload the floor of the Premises or mark, drive nails, screw or drill into partitions, woodwork or plaster or in any way deface the Premises or any part thereof. No boring, cutting or stringing of wires or laying of linoleum or other similar floor coverings shall be permitted except with the prior written consent of the Landlord and as the Landlord may direct. Notwithstanding the above, Tenant may make non-structural repairs and improvements without Landlord's consent, if such repairs do not exceed \$10,000

6. Landlord shall the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building and also the times and manner of moving the same in and out of the Building. Safes or other heavy objects shall, if considered necessary by Landlord stand on wood strips of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property from any cause and all damage done to the Building by moving or maintaining such safe or other property shall be repaired at the expense of Tenant. There shall not be used in any space of the Building, either by any tenant or others, any hand trucks except those equipped with rubber tires and side guards.

7. Tenant shall not use, keep or permit to be used or kept any foul, noxious or dangerous gas or substance in or around the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to the Landlord or other occupants of the Building by reason of noise, odors and or vibrations, or

ATTACHMENT A

interfere in any way with other Tenants or those having business therein, nor shall any animals or birds be brought in or kept in or about the Premises or the Building. No Tenant shall make or permit to be made any unseemly or disturbing noises or disturb or interfere with occupants of this or neighboring Buildings or Premises or those having business with them whether by the use of any musical instrument, radio, phonograph, unusual noise, or in any other way. Notwithstanding any term or condition in the lease agreement or these rules, Tenant shall be permitted to utilize an Exhaust Release System in the repair and maintenance of its vehicles on the Premises.

8. Tenant shall not use or keep in the Premises or around the Building any kerosene, gasoline or inflammable or combustible fluid or material, or use any method of heating or air conditioning other than that supplied by the Landlord except as necessary for the repair and maintenance of its vehicles.

9. Landlord will direct electricians as to where and how telephone and telegraph wires are to be introduced. No boring or cutting for wires will be allowed without the consent of Landlord. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord.

10. All keys to offices, rooms and toilet rooms shall be obtained from Landlord's Building Management Office. However, Tenant may re-key the Premises in conjunction with its other buildings and operations. However, Tenant must provide Landlord with access to the Premises at reasonable times upon reasonable notice. The Tenant, upon termination of the tenancy, shall deliver to the Landlord the keys of the offices, rooms and toilet rooms which shall have been furnished or shall pay the Landlord the cost of replacing same or of changing the lock or locks operated by such lost key if Landlord deems it necessary to make such changes.

11. No Tenant shall lay linoleum, tile, carpet or other similar floor covering so that the same shall be affixed to the floor of the Premises in any manner except as approved by the Landlord. The expense of repairing any damage resulting from a violation of this rule or removal of any floor covering shall be borne by the Tenant by whom, or by whose contractors, employees or invitees, the damage shall have been caused.

12. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor drugs, or who shall in any manner do any act in violation of any of the Rules and Regulations of the Building.

13. The requirements of Tenant will be attended to only upon application at the Office of the Building Employees of Landlord shall not perform any work or do anything outside their regular duties unless under special instructions from the Landlord, and no employee will admit any person (Tenant or otherwise) to Premises without specific instructions from the Landlord.

14. Landlord shall have the right, exercisable without notice and without liability to Tenant, to change the name and the street address of the Building of which the Premises are a part.

15. Tenant agrees that it shall comply with all fire and security regulations that may be issued from time to time by Landlord and Tenant also shall provide Landlord with the name of a designated responsible employee to represent Tenant in all matters pertaining to such fire or security regulations.

16. Landlord reserves the right by written notice to Tenant to rescind, alter or waive any rules or regulations at any time prescribed for the Building when, in Landlord's judgment, it is necessary, desirable or proper for the best interest of the Building and its tenants.

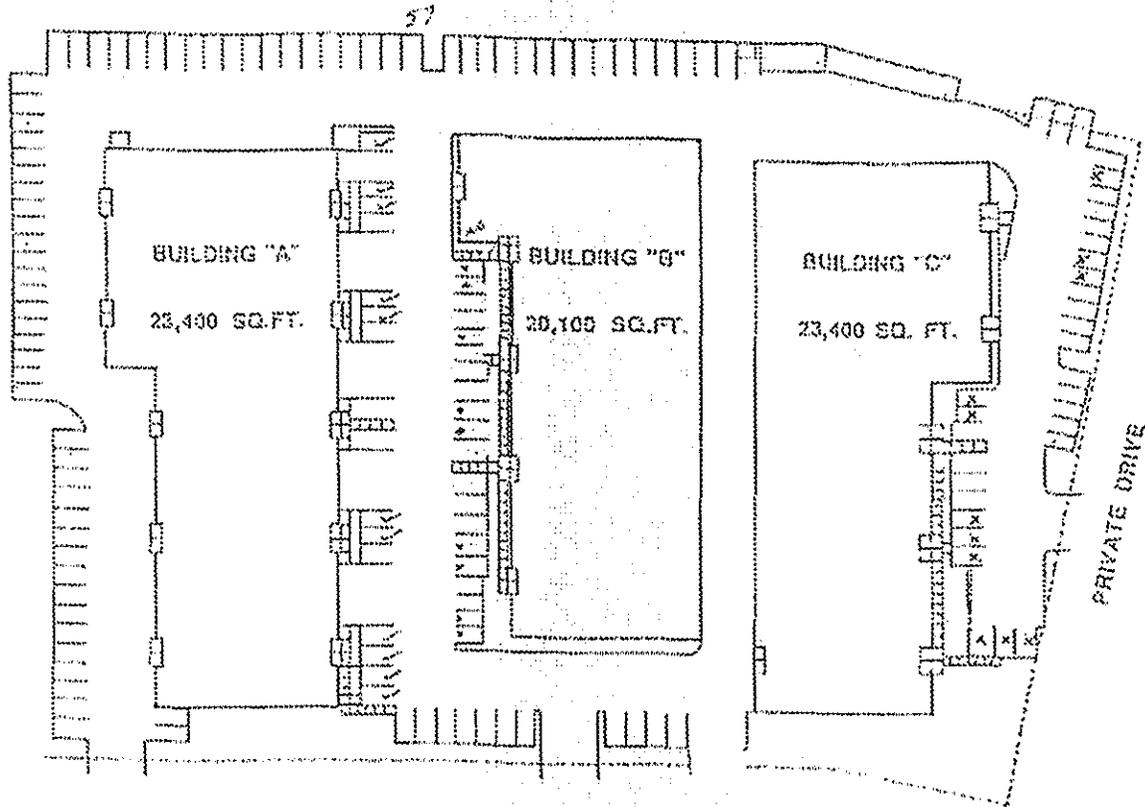
17. Tenants shall not disturb, solicit, or canvass any occupant of the Building and shall cooperate to prevent same.

18. Without the written consent of Landlord, Tenant shall not use the name of the Building in connection with or in promoting or advertising the business of Tenant except as Tenant's address.

Landlord reserves the right to make such other and further reasonable rules and regulations as in its judgment may be for the safety, care and cleanliness of the Premises and for the preservation of good order therein Tenant agrees to abide by all such rules and regulations hereinabove stated and any additional reasonable rules and regulations which are adopted as long as such rules do not interfere with Tenant's business operation.

ATTACHMENT A

EXHIBIT D PARKING AGREEMENT



PRORATA SHARE IS: BLDG A - 35% ALLOTTED MARKED SPACES ARE: BLDG A - 11 CARS MARKED ✓
BLDG B - 30% BLDG B - 9 CARS MARKED *
BLDG C - 35% BLDG C - 11 CARS MARKED *

All unmarked spaces are open parking for all three buildings.
If any loading zones are reserved for parking, the resultant spaces will be open.

ATTACHMENT A

EXHIBIT "E" Furniture Inventory

| | |
|---|-------------|
| CONFERENCE TABLES | 1 |
| Round side conference tables | 2 |
| Lunchroom table | 1 |
| Blue "formica-like" draft tables | 7 |
| General tables | 9 |
| Executive desk with return | 1 |
| General desks | 8 |
| Credenzas | 9 |
| Leather back chairs | 5 |
| General chairs | 41 |
| Reception station with chair (4' high) | 1 |
| Particle board shelves (6'x4') | 6 |
| Book shelves | 8 |
| Racks | |
| (4' x 7') | 9 |
| (3' x 6' metal) | 5 |
| (Heavy duty 12' high) | 15 sections |
| Wood mail racks | 4 |
| Work stations | |
| (6' x 8') | |
| 6' tall | 2 |
| 5' tall | 4 |
| Metal file cabinets | 16 |
| Rolling ladder 3' | 1 |
| Plastic "In / Out" boxes | Several |

ATTACHMENT B

LEASE AMENDMENT NUMBER 2

This Lease Amendment Number 2 is made this 1st day of September, 2014 between Soquel III Associates, a California general partnership (hereinafter referred to as "Landlord") and Santa Cruz Metropolitan Transit District, a local public agency (hereinafter referred to as "Tenant"), who agree as follows:

RECITALS:

- A. Landlord and Tenant entered into that certain Lease Agreement, dated for reference August 13, 2004 for the premises known as 2880 Research Park Drive, Suite 160, Soquel, California 95073 (hereinafter referred to as the "Lease").
- B. Landlord and Tenant entered into Lease Amendment Number 1 dated for reference March 27, 2009 for the premises known as 2880 Research Park Drive, Suite 160, Soquel, California 95073, which is set to terminate on August 31, 2014.
- C. Tenant desires to exercise its second option to extend the term of the Lease.

NOW THEREFORE, the parties hereto agree as follows:

- 1. The term of the Lease shall be extended by a two (2) year period to terminate on August 31, 2016.
- 2. Tenant shall have one (1) additional option to extend the term of the Lease, for a two (2) year period.
- 3. All other terms, conditions, covenants or provisions of the Lease shall remain unchanged.

LANDLORD:

Soquel III Associates,
a California general partnership

By: _____
Bernard Kotansky, General Partner

Date: _____

TENANT:

Santa Cruz Metropolitan Transit District,
a local public agency

By: _____
Alex Clifford, CEO/General Manager

Date: _____

Approved as to form:

Leslyn K. Syren, District Counsel

- THIS PAGE INTENTIONALLY LEFT BLANK -

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

DATE: August 8, 2014

TO: Board of Directors

FROM: Angela Aitken, Finance Manager/DBE Liaison Officer

SUBJECT: PUBLIC HEARING: RECEIVE PUBLIC COMMENTS ON SANTA CRUZ METRO'S PROPOSED DISADVANTAGED BUSINESS ENTERPRISE (DBE) GOAL OF 1.5% FOR FEDERAL FISCAL YEARS 2015-2017 (FFY15-FFY17) AND ADDITION OF THE DBE PROGRAM TO METRO'S ADMINISTRATIVE CODE

I. RECOMMENDED ACTION

That the Board of Directors conduct a public hearing to receive comments on the FFY15-FFY17 DBE Goal and consider adopting a DBE Goal of 1.5% for FFY15-FFY17. That the Board of Directors Adopt a Resolution to Add Chapter 2 to Title II – DBE PROGRAM to Santa Cruz METRO's Administrative Code

II. SUMMARY OF ISSUES

- Staff proposes a goal of 1.5% for DBE participation for FFY15-FFY17 based upon the attached Methodology (*Attachment A*).
- Santa Cruz METRO's Public Notice announcing its proposed DBE Goal for FFY15-FFY17 was published in the Santa Cruz Sentinel and the Watsonville Pajaronian in English and Spanish (*Attachments B and C*) in May and July 2014.
- The Public Notice provided community members the opportunity to present their comments. No public comments were received.
- Today's Public Hearing offers another opportunity for members of the public to comment on the proposed DBE goal.
- Santa Cruz METRO Staff contacted the Federal Transit Administration (FTA) and obtained an extension to submit the 3-year DBE Goal. Santa Cruz METRO's Goal must be submitted by August 15, 2014 to comply with FTA Civil Rights requirements.
- The adoption of Title II, Chapter 2 to the Administrative Code will replace the Administrative Regulation AR-1028 (DBE Program).

III. DISCUSSION/BACKGROUND

As a recipient of more than \$250,000 annually in FTA funds, Santa Cruz METRO is required to comply with Title 49 of the Code of Federal Regulations, Part 26 (49 CFR 26), which states that

recipients must establish and implement a Disadvantaged Business Enterprise (DBE) program and set a DBE participation goal. In FY15, Santa Cruz METRO will receive approximately \$5.7 million in FTA financial assistance. A DBE firm is a for-profit “small business concern” that is at least 51 percent woman- or racial minority owned.

Santa Cruz METRO’s policy is to ensure that DBEs have an equal opportunity to receive and participate in FTA-assisted contracts. Santa Cruz METRO is prohibited from excluding any person from participating in, denying any person the benefits of, or otherwise discriminating against anyone in connection with the award and performance of any contract covered by 49 CFR 26 on the basis of race, color, sex, national origin, disability or sexual orientation.

Beginning with FFY12, the FTA required recipients to calculate and submit a new DBE goal every three years rather than annually as had been required in the past. The goal currently under consideration is for federal fiscal years 2015 - 2017 (FFY15-FFY17).

Santa Cruz METRO staff used the methodology published in 49 CFR 26.45 to establish the FFY15-FFY17 DBE goal. This methodology enables Santa Cruz METRO to start with a goal from previous DBE participation, goals of another agency or to calculate one based upon data on the number of DBE vendors relative to all vendors within the same market area. This initial goal would then be modified to adjust for differences between the base year and the current contracting opportunities. Santa Cruz METRO proposes a goal of 1.5% for the FFY15-FFY17 period based upon the methodology described in *Attachment A*.

Santa Cruz METRO staff used the Preliminary FY15 Operating and Capital Budget to establish the FFY15-FFY17 DBE goal. If federal funding and contract opportunities change significantly during the three-year period, Santa Cruz METRO can modify its DBE Goal and submit a revised goal to the FTA.

Outreach/Public Comment Period

Santa Cruz METRO disseminated Public Notices in English and Spanish announcing the proposed DBE goal for FFY15-FFY17. These Notices were published in May and July 2014 in general circulation media, minority-focused media, on Santa Cruz METRO’s web site, at the transit centers and the Santa Cruz METRO Administration Building (See *Attachments B & C*)

Comments are being accepted through the end of today’s Public Hearing. No public comments had been submitted as of July 30, 2014. Santa Cruz METRO Staff did receive correspondence from the Director of Operations at DBE Goodfaith, Inc. The company offered to publish Santa Cruz METRO’s proposed DBE Goal for FFY15-FFY17 in their online publication for minority, women and small business owners. Santa Cruz METRO’s District Counsel approved this decision and the public notice was posted to assist in our outreach efforts to those in the DBE community. The notice (*Attachment D*) can be viewed at the following link <http://dbegoodfaith.com/santa-cruz-dbe-goal-2015-2017.aspx>

Conducting a Public Hearing today allows the public another opportunity to comment on the proposed FFY15-FFY17 DBE Goal. Adopting the proposed DBE Goal of 1.5% will meet FTA Civil Rights requirements to calculate and submit a DBE Goal every three years.

It is the intent of the Legal Department to continue to consolidate many of the current District policies into the Administrative Code, which will be available to the public on our website. It is hoped this will provide better access to Santa Cruz METRO's policies as we move forward with this project.

IV. FINANCIAL CONSIDERATIONS

The costs associated with the publication of Santa Cruz METRO's proposed DBE Goal were minimal. Adopting the DBE goal for FFY15-FFY17 has no significant financial impact; however, contracts funded with FTA assistance will be monitored and reported regularly for DBE goal achievement.

V. ATTACHMENTS

Attachment A: Methodology for Calculating the Proposed DBE Goal for Federal Fiscal Year 2015 – Federal Fiscal Year 2017 (FFY15-FFY17)

Attachment B: Amended Public Notice: Disadvantaged Business Enterprise Goal for Federal Fiscal Years 2015-2017 (FFY15-FFY17) in English

Attachment C: Amended Public Notice: Disadvantaged Business Enterprise Goal for Federal Fiscal Years 2015-2017 (FFY15-FFY17) in Spanish

Attachment D: Santa Cruz METRO's DBE Notice posted on DBE Goodfaith, Inc.'s website

Attachment E: Resolution Adopting Title II, Chapter 2 to the Santa Cruz METRO Administrative Code (Exhibit A to the Resolution)

Prepared By: *Rickie-Ann Kegley, Paralegal*
Date Prepared: *July 30, 2014*

APPROVED:



Angela Aitken, Finance Manager



Leslyn K. Syren, District Counsel



Alex Clifford, CEO/General Manager

ATTACHMENT A



Methodology For Calculating the Proposed DBE Goal for Federal Fiscal Year 2015 – Federal Fiscal Year 2017 (FFY15-FFY17)

Santa Cruz Metropolitan Transit District (Santa Cruz METRO) is proposing an overall Disadvantaged Business Enterprise (DBE) goal of 1.5% for U.S. Department of Transportation, Federal Transit Administration (FTA) assisted contracts in federal fiscal years 2015 – 2017 (FFY15-FFY17). The FTA requires that any recipient of more than \$250,000 in FTA funds annually must have a DBE goal. Santa Cruz METRO will receive approximately \$5.7 million in FTA funding in FFY15 and will set a DBE goal as it has for more than 20 years.

The FTA shifted from a requirement to calculate annually the DBE goal to calculating it every three years. Santa Cruz METRO complied with the requirement to calculate an annual goal through FFY11 and produced a three-year goal beginning with the FFY12-FFY14 period. This year, Santa Cruz METRO is setting the goal for the three-year FFY15-FFY17 period and will submit it to the FTA by 8/1/14. Because the budgets beyond FY15 are uncertain at this time due to changes in federal funding support when the current surface transportation act expires on 10/1/14 and because of changes in Santa Cruz METRO's contracting opportunities year-to-year, staff calculated the three-year DBE goal based upon the known FY15 budget. Santa Cruz METRO will adjust its DBE goal, if necessary, when future budgets are known if the contracting opportunities change.

Step 1: Base Goal

The Code of Federal Regulations, Title 49 Section 26 (49 CFR 26) describes several methods to calculate a DBE goal and also allows the recipient to develop its own rational, justifiable methodology. The method staff chose to obtain a goal for FFY15-FFY17 goal was to begin with the goal set in the last three-year period, FFY12-FFY14, and adjust it based upon differences in contracting opportunities between the two base years, FY12 versus FY15. This approach assumes that changes in contracting opportunities between FFY12 and FFY15 have a greater impact on the anticipated level of DBE participation than do changes in the proportion of DBE vendors relative to all vendors in the marketplace. Staff used the FFY12-FFY14 goal of 1.54% for the first step in arriving at an anticipated rate of participation for the final goal.

Step 2: Adjustments

In order to adjust the goal to accommodate budgetary changes, staff compared the contracting opportunities in the FY12 with those in the FY15 budget. The FY15 budget has less contracting and subcontract opportunities in construction because the contracting for the Judy K. Souza Operating Facility was a factor in the FY12. For FY15, while there is major funding for the Operating Facility, there are no longer contracting opportunities. This lack of large construction contracting opportunities justified rounding the FY12 goal down to 1.5% from its previous goal of 1.54%.

ATTACHMENT A

To further adjust Santa Cruz METRO's preliminary DBE goal, staff looked at the DBE goals from other agencies in the surrounding areas, especially the goal of Monterey-Salinas Transit (MST) because it is also a small transit operator in the same market area. The City of Santa Cruz has a goal of 2.85% on one road construction project, but non-transit entities are not required to set a goal for remaining procurements.

Santa Cruz County has a goal of 2% on the Calabasas Road construction contract and 3% on the Empire Grade construction contract. Monterey County has a goal of 6.05% on the Salinas Road construction project. Road projects tend to have subcontractors in different fields, giving more contracting opportunities than smaller procurements for goods and services typical on Santa Cruz METRO's contracts. Keep in mind that individual construction contracts vary widely in cost, scope and complexity, which explains the variation from 2% to 6.05% for contract goals in the same market area.

A comparison with MST's goal is even more relevant because it is also a small transit operator in the same market area as Santa Cruz METRO. MST set a goal of 2.5% for the FFY12-FFY14 period, and its budget and contracting opportunities merit further consideration in order to understand the difference. In contrast to Santa Cruz METRO, MST contracts out its entire paratransit operation, which provides both mandatory ADA complementary transit service and demand response service in areas with low ridership. MST has a paratransit department cost of \$5.8 million in a total annual budget of \$30.3 million; Santa Cruz METRO's ParaCruz department cost is \$5.4 million in a budget of \$45.3 million. Obviously, paratransit cost is a much higher percentage of the entire budget. More importantly in this comparison of the paratransit portion of the budget, however, MST contracts its entire paratransit service to outside vendors; METRO operates more than 95% of its paratransit service in-house. This portion of METRO's budget has no contract opportunities; METRO therefore has only \$250,000 worth of contract transportation versus \$5.8 million at MST, a significant difference!

In addition to the contrast between paratransit contracting, MST also contracts its facilities maintenance while METRO's Facilities Maintenance Department performs the equivalent service in-house and contracts only supplies. In these areas again, MST contracts a higher portion of its budget than Santa Cruz METRO: \$880,508 versus \$224,245.

In these two areas of contract opportunities alone, paratransit service and facilities maintenance, MST contracts out 21% of its budget while METRO contracts out only 0.9% of its budget.

Another highly significant difference between MST and Santa Cruz METRO is in the revenue side of the equation. Only federal revenue is considered in setting the DBE goal; state revenue, which funds security projects and MetroBase construction, is not considered. On the revenue side, MST has a much higher proportion of federal funds than Santa Cruz METRO factoring into the DBE calculation: MST's federal share of total revenue is 32%; METRO's is only 11%. The contrast in federal revenue as a proportion of the total budget between MST and Santa Cruz METRO justifies setting the goal lower than MST's 2.5%

Yet another comparison justifies Santa Cruz METRO's proposed goal of 1.5%: Santa Cruz METRO set its previous five DBE goals in a range from 1.32% to 1.73%. With the adjusted rate hitting the mid-point between five preceding goals, the proposed goal of 1.5% is reasonable and rational for FFY15-FFY17.

ATTACHMENT A

The Proposed Goal

Given the three factors considered, Santa Cruz METRO's goal falling within the range of most highway construction contracts in the market area, 1.5% versus 2% for most highway contracts and 6.05% for a single contract, the significantly *disproportionate* budgetary factors between Santa Cruz METRO and MST and the internal comparison with Santa Cruz METRO's own goals, Santa Cruz METRO's DBE goal of 1.5% is justified. With these considerations, **Santa Cruz METRO proposes a goal of 1.5% DBE participation for the FFY15-FFY17 period.**

If approved by the Board of Directors, Santa Cruz METRO will establish a DBE goal of 1.5% for FFY15-FFY17. Santa Cruz METRO's proposed DBE goal statement (Attachments B and C) and the supporting methodology (Attachment A) are available for public inspection May 13, 2014 through August 7, 2014 at Santa Cruz METRO's Administrative Offices, 110 Vernon Street, Santa Cruz, CA 95060, on METRO's website www.scmttd.com, at the Santa Cruz Central Branch Library, 224 Church Street, Santa Cruz, CA 95060 and at the Watsonville Main Library, 275 Main Street, Watsonville, CA 95076.

- THIS PAGE INTENTIONALLY LEFT BLANK -

ATTACHMENT B



AMENDED PUBLIC NOTICE **DISADVANTAGED BUSINESS ENTERPRISE** **GOAL FOR FEDERAL FISCAL YEARS 2015-2017 (FFY15-FFY17)**

Notice is hereby given that the Santa Cruz Metropolitan Transit District (Santa Cruz METRO) is proposing a Disadvantaged Business Enterprise (DBE) goal of **1.5%** for U.S. Department of Transportation assisted contracts for FFY15-FFY17. This goal has been set based upon information currently available. As part of this program, Santa Cruz METRO must establish a goal for DBE participation in procurements to be federally funded. A DBE firm is defined as a for-profit “small business concern” that is at least 51 percent owned and controlled by one or more socially and economically disadvantaged individuals. California DBE firms are certified as such through the California United Certification Program (UCP).

It is the policy of Santa Cruz METRO to ensure nondiscrimination on the basis of race, color, sex, national origin, disability and/or sexual orientation in the award and administration of DOT-assisted contracts. It is the intention of Santa Cruz METRO to create a level playing field on which DBEs can compete fairly for DOT-assisted contracts.

The rationale for this goal and supporting information regarding Santa Cruz METRO’s DBE Program will be available for public inspection at Santa Cruz METRO’s Administrative Offices, 110 Vernon Street, Santa Cruz, CA 95060. These documents are available for inspection from 8 am to 5 pm, Monday through Friday, from 5/13/14 through 8/4/14 at the above address, on METRO’s website www.scmttd.com and at the Santa Cruz Central Branch Library, 224 Church Street, Santa Cruz, CA 95060 and the Watsonville Main Library, 275 Main Street, Watsonville, CA 95076, during regular library hours.

Santa Cruz METRO and the Federal Transit Administration will accept written comments on Santa Cruz METRO’s proposed DBE goal and its rationale through August 8, 2014. Comments should be submitted to Angela Aitken, DBE Liaison Officer, at the address listed above, by email: DBE@scmttd.com or to the Federal Transit Administration, Civil Rights Office, Region IX, 201 Mission Street, Suite 1650, San Francisco, CA 94105.

Santa Cruz METRO will hold a Public Hearing on its FFY15-FFY17 DBE goal at 8:30 am on August 8, 2014 at Santa Cruz METRO’s Administrative Offices, 110 Vernon Street, Santa Cruz, CA 95060. Members of the public may address Santa Cruz METRO’s Board of Directors at this meeting.

- THIS PAGE INTENTIONALLY LEFT BLANK -

ATTACHMENT C



AVISO AL PÚBLICO MODIFICADA

EMPRESA DE NEGOCIOS EN DESVENTAJA **META PARA AÑOS FISCALES FEDERALES 2015-2017 (FFY15-FFY17)**

Se hace saber que el Distrito de Tránsito Metropolitano de Santa Cruz, (Santa Cruz METRO) propone una meta conjunta para la Empresa de Negocios en Desventaja (DBE) de **1.5%** para los contratos de asistencia del Departamento de Transporte de EE.UU. (U.S. DOT) para FFY15-FFY17. Este objetivo se ha creado basándose en la información actualmente disponible. Como parte de este programa, Santa Cruz METRO debe establecer una meta para participación de DBE en todos los contratos nuevos que son elegibles de ser financiados con fondos federales. Una empresa DBE se define como una “empresa pequeña” con fines de lucro que es al menos el 51 por ciento de propiedad y controlada por uno o mas individuales con desventaja social y económica. Empresas DBE de California están calificadas como tales a través del Programa de Certificación Unido de California (UCP).

Es la póliza del Santa Cruz METRO de prohibir la discriminación por motivos de raza, color, sexo, origen nacional, discapacidad, y/u orientación sexual en la concesión y administración de contratos asistidos del DOT. Es la intención del Santa Cruz METRO de crear una igualdad de condiciones en la que DBEs pueden competir en condiciones justas para contratos asistidos de DOT.

La base lógica de este objetivo y la información relativa apoyando el programa DBE del Santa Cruz METRO estará disponible para inspección pública en las oficinas administrativas de Santa Cruz METRO, 110 Vernon Street, Santa Cruz, CA 95060. Estos documentos estarán disponibles para inspección de las 8 am a las 5 pm, lunes a viernes, desde el 13 de mayo, 2014 hasta el 4 de agosto, 2014 en la dirección arriba indicada, en el sitio web de METRO www.scmtd.com y en la Biblioteca Central de Santa Cruz, 224 Church Street, Santa Cruz, CA 95060 y la Biblioteca Principal de Watsonville, 275 Main Street, Watsonville, CA 95076, durante las horas regulares de las bibliotecas.

Santa Cruz METRO y la Administración Federal de Tránsito aceptarán comentarios por escrito sobre el objetivo propuesto de DBE del Santa Cruz METRO y su razón de ser hasta el 8 de agosto del 2014. Los comentarios deben ser sometidos a Angela Aitken, oficial de enlace de DBE en la dirección arriba indicada, o por correo electrónico: DBE@scmtd.com o a la Administración Federal de Tránsito, Oficina de Derechos Civiles, Región IX, 201 Mission Street, Suite 1650, San Francisco, CA 94105.

Santa Cruz METRO tendrá una Audiencia Pública sobre su meta del FFY15-FFY17 de DBE a las 8:30 am el 8 de agosto del 2014 en las oficinas administrativas de Santa Cruz METRO en 110 Vernon Street, Santa Cruz, CA 95060. Miembros del público podrán dirigirse a la Junta Directiva del Santa Cruz METRO en esta sesión.

- THIS PAGE INTENTIONALLY LEFT BLANK -

ATTACHMENT D



| | |
|----------------------------------|--------------------------------------|
| Username | Password |
| <input type="text"/> | <input type="password"/> |
| Forgot Password? | <input type="button" value="Login"/> |

Santa Cruz METRO holding DBE meeting, announces goals

The Santa Cruz Metropolitan Transit District is accepting public comments and holding an upcoming meeting regarding its proposed triennial disadvantaged business enterprise goal. As a recipient of funding from the US Department of Transportation's Federal Transit Administration, the District is required to administer a DBE program and establish DBE participation goals in an effort to level the playing field for minority and women-owned businesses. The official public notice can be found below.

AMENDED PUBLIC NOTICE DISADVANTAGED BUSINESS ENTERPRISE GOAL FOR FEDERAL FISCAL YEARS 2015-2017 (FFY15-FFY17)

Notice is hereby given that the Santa Cruz Metropolitan Transit District (Santa Cruz METRO) is proposing a Disadvantaged Business Enterprise (DBE) goal of 1.5% for U.S. Department of Transportation assisted contracts for FFY15-FFY17. This goal has been set based upon information currently available. As part of this program, Santa Cruz METRO must establish a goal for DBE participation in procurements to be federally funded. A DBE firm is defined as a for-profit "small business concern" that is at least 51 percent owned and controlled by one or more socially and economically disadvantaged individuals. California DBE firms are certified as such through the California United Certification Program (UCP).

It is the policy of Santa Cruz METRO to ensure nondiscrimination on the basis of race, color, sex, national origin, disability and/or sexual orientation in the award and administration of DOT-assisted contracts. It is the intention of Santa Cruz METRO to create a level playing field on which DBEs can compete fairly for DOT-assisted contracts.

The rationale for this goal and supporting information regarding Santa Cruz METRO's DBE Program will be available for public inspection at Santa Cruz METRO's Administrative Offices, 110 Vernon Street, Santa Cruz, CA 95060. These documents are available for inspection from 8 am to 5 pm, Monday through Friday, from 5/13/14 through 8/4/14 at the above address, on METRO's website www.scmtd.com and at the Santa Cruz Central Branch Library, 224 Church Street, Santa Cruz, CA 95060 and the Watsonville Main Library, 275 Main Street, Watsonville, CA 95076, during regular library hours.

Santa Cruz METRO and the Federal Transit Administration will accept written comments on Santa Cruz METRO's proposed DBE goal and its rationale through August 8, 2014. Comments should be submitted to Angela Aitken, DBE Liaison Officer, at the address listed above, by email: DBE@scmtd.com or to the Federal Transit Administration, Civil Rights Office, Region IX, 201 Mission Street, Suite 1650, San Francisco, CA 94105.

Santa Cruz METRO will hold a Public Hearing on its FFY15-FFY17 DBE goal at 8:30 am on August 8, 2014 at Santa Cruz METRO's Administrative Offices, 110 Vernon Street, Santa Cruz, CA 95060. Members of the public may address Santa Cruz METRO's Board of Directors at this meeting.

- THIS PAGE INTENTIONALLY LEFT BLANK -

ATTACHMENT E

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

Resolution No. _____
On the Motion of Director: _____
Duly Seconded by Director: _____
The Following Resolution is Adopted: _____

A RESOLUTION ESTABLISHING TITLE II, CHAPTER 2
TO THE ADMINISTRATIVE CODE OF THE
SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

WHEREAS, the Santa Cruz Metropolitan Transit District was created pursuant to the “Santa Cruz Metropolitan Transit District Act of 1967” as codified in Public Utilities Code sections 9800 et seq; and

WHEREAS, Board of Directors of the Santa Cruz Metropolitan Transit District may take all actions necessary for the proper administration of the affairs of the District; and

WHEREAS, the Board of Directors desires to adopt a Disadvantaged Business Enterprise (DBE) Program pursuant to the Code of Federal Regulations, Chapter 49, Part 26, for participation of DBE’s in Santa Cruz METRO’s procurements;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SANTA CRUZ METROPOLITAN TRANSIT DISTRICT, that it hereby resolves, determines and orders as follows:

Title II, Chapter 2 of the Administrative Code of Santa Cruz Metropolitan Transit District is adopted by the Board of Directors as set forth in Exhibit A to this Resolution.

PASSED AND ADOPTED by the Board of Directors of the Santa Cruz Metropolitan Transit District on August _____, 2014, by the following vote:

AYES: DIRECTORS –
NOES: DIRECTORS –
ABSTAIN: DIRECTORS –
ABSENT: DIRECTORS-

DENE BUSTICHI
Chair

ATTEST:

ALEX CLIFFORD
CEO/General Manager

APPROVED AS TO FORM:

LESLYN K. SYREN
District Counsel

**ATTACHMENT E
EXHIBIT A**

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

ADMINISTRATIVE CODE

TITLE II - DBE PROGRAM

CHAPTER 2

DISADVANTAGED BUSINESS ENTERPRISE

(This Chapter replaces AR-1028)

Table of Contents:

| | |
|---------------------|--|
| Article I | General Requirements |
| Article II | Application of the DBE Program |
| Article III | Responsibility for DBE Program Implementation |
| Article IV | Administrative Requirements |
| Article V | Determining and Achieving the DBE Goal |
| Article VI | Required Contract Provisions |
| Article VII | Monitoring and Enforcement Mechanisms |
| Article VIII | Certification Standards |
| Article IX | Information Collection and Reporting |
| Article X | Appendices |

**Article 1
General Requirements**

§ 1.101 Definitions

The following capitalized words and phrases whenever used in this Chapter shall be construed as defined below:

BOARD shall mean the Board of Directors of the Santa Cruz Metropolitan Transit District (Santa Cruz METRO).

DBE shall mean Disadvantaged Business Enterprise in accordance with the Code of Federal Regulations, Chapter 49, Part 26.

ATTACHMENT E

EXHIBIT A

DBELO shall mean the DBE Liaison Officer designated by Santa Cruz METRO's GENERAL MANAGER. This individual is responsible for developing, implementing and monitoring all aspects of the DBE Program to ensure that Santa Cruz METRO is in compliance with all provisions of *49 CFR Part 26*.

FTA shall mean the United States Department of Transportation, Federal Transit Administration.

GENERAL MANAGER shall mean the chief executive officer of Santa Cruz METRO appointed by the Board of Directors.

§1.102 Administrative Procedures

The Santa Cruz Metropolitan Transit District (Santa Cruz METRO) is committed to providing a Disadvantaged Business Enterprise (DBE) Program in accordance with the Code of Federal Regulations, Chapter 49, Part 26, <http://www.fta.dot.gov/civilrights/12326.html> for the participation of DBEs in Santa Cruz METRO's procurements. As a condition of receiving Federal financial assistance from the Department of Transportation (DOT), Santa Cruz METRO assures that it will continue to comply with *49 Code of Federal Regulations Part 26. Appendix A* sets forth Santa Cruz METRO's written acknowledgement of the requirements of these federal regulations and its commitment to implement a DBE Program in accordance with those regulations. Commitment Statements will be executed on an annual basis by the Santa Cruz METRO's GENERAL MANAGER and attached to the DBE Program's Administrative Code. Additionally, the executed annual Commitment Statements will be disseminated to all departments within Santa Cruz METRO, DBE and Non-DBE Businesses, and the public.

§1.103 Equitable Conditions for DBEs

It is the intention of Santa Cruz METRO to create equitable conditions in which DBEs can compete fairly and participate fully in the performance of contracts and subcontracts relating to the Santa Cruz METRO's construction and procurement activities.

§1.104 Updates to DBE Program

Santa Cruz METRO's DBE Program will be reviewed and updated, if necessary, with every goal submission, and as required by DOT.

§1.105 Responsibility of Department Managers

Each METRO Department Manager is responsible to administer within his/her department the DBE Program in accordance with this code. Additionally, each Contract Administrator shall ensure that the contracts that he/she is responsible for are administered and managed in accordance with Santa Cruz METRO's DBE Program.

ATTACHMENT E EXHIBIT A

Article II Applicability of the DBE Program

§2.201 Recipient of Federal Financial Assistance

Santa Cruz METRO, a recipient of federal financial assistance from the Federal Transit Administration (FTA) of the U.S. DOT, is required to implement a DBE Program in accordance with *49 CFR Part 26 et. seq.* (Federal Regulations) which are incorporated herein by reference as if fully set forth herein. In the event of any conflicts or inconsistencies between the Federal Regulations and the Santa Cruz METRO's DBE Program with respect to DOT-assisted contracts, the Federal Regulations shall control. Appendix B sets forth the Santa Cruz METRO's DBE Program Summary.

§2.202 Application to all METRO Contracts

The DBE Program outlined herein applies to all Santa Cruz METRO contracts that are funded, in whole or in part, by U.S. DOT federal financial assistance. To the extent that the Program's policy, objectives and efforts involve race-neutral methods, the DBE Program will apply to all Santa Cruz METRO contracts regardless of the funding source.

§2.203 Program Objectives

The objectives of the Santa Cruz METRO's DBE Program are the following:

- A. Ensure nondiscrimination in the award and administration of DOT-assisted contracts;
- B. Create a level playing field on which DBEs can compete fairly for DOT-assisted contracts;
- C. Ensure the DBE Program is narrowly tailored in accordance with *49 CFR Part 26*;
- D. Ensure that only firms that fully meet the eligibility standards in *49 CFR Part 26* are permitted to participate as DBEs;
- E. Identify and remove barriers to the participation of all small businesses meeting the requisite size standards, including DBEs, in the bidding, award and administration of DOT federally-assisted contracts;
- F. Identify and increase the participation of all small businesses meeting the requisite size standards, including DBEs, in Santa Cruz METRO's procurements of required materials, equipment, supplies and services;
- G. Develop procedures that will acquaint prospective DBEs with the Santa Cruz METRO's contracting procedures, activities and requirements, and receive

ATTACHMENT E EXHIBIT A

feedback from DBEs on existing barriers to participation and effective procedures to eliminate them.

- H. Assist the development of DBEs so they may compete successfully outside of the DBE Program;
- I. Foster small business participation in Santa Cruz METRO's procurements; and
- J. Successfully facilitate the implementation of the DBE Program using race neutral measures to the maximum extent.

§2.204 Prohibited Discrimination

- A. Santa Cruz METRO shall not exclude any person from participation in, deny benefits to, or otherwise discriminate against any persons in connection with the award and performance of any contract governed by *49 CFR Part 26* on the basis of race, color, sex or national origin.
- B. In administering its DBE Program, Santa Cruz METRO shall not directly, or through contractual or other arrangements, use criteria or methods of administration that have the effect of defeating or substantially impairing accomplishment of the objectives of this *DBE Program* with respect to individuals of a particular race, color, sex or national origin. However, in order to foster its overall objectives related to these important issues, Santa Cruz METRO may utilize contractual or other arrangements and may use criteria or methods of administration that support creation of opportunities for State of California certified minority, women-owned and emerging small businesses as allowed by state and federal law.

Article III Responsibility for DBE Program Implementation

§3.301 Santa Cruz METRO's Board of Directors

The Board of Directors is responsible for adopting the DBE Program and any updates as the official DBE Program Policy at Santa Cruz METRO.

§3.302 General Manager

The General Manager has primary responsibility to implement the Board's policies at Santa Cruz METRO.

§3.303 DBE Liaison Officer

Santa Cruz METRO designated the following individual as its DBE Liaison Officer:

Angela M. Aitken, Finance Manager/Designee
Santa Cruz Metropolitan Transit District
110 Vernon Street
Santa Cruz, CA 95060

ATTACHMENT E

EXHIBIT A

(831) 426-6080 - phone
(831) 426-6117 - fax
aaitken@scmtd.com (e-mail)

In that capacity, the DBELO is responsible for implementing all aspects of the DBE program and ensuring that the Santa Cruz Metropolitan Transit District complies with all provisions of *49 CFR Part 26*. The DBELO, if other than the General Manager, shall have direct, independent access to the General Manager concerning DBE program matters. Necessary agency staff shall be available to support the DBELO in his/her activities. An organizational chart displaying the DBELO's position within Santa Cruz METRO is found in *Appendix C* to this program.

§3.304

DBELO and DBE Committee Responsibilities

The DBELO is responsible for developing, implementing and monitoring the DBE Program, and reporting DBE Program achievements. The DBELO will work with a DBE Committee consisting of appointees from the following: Purchasing, Grants, Legal and any other department representative that the DBELO deems necessary to achieve the goals of the DBE Program. Personnel assigned to the DBE Committee shall have the responsibility for ensuring the effective implementation of the DBE Program. They shall give full cooperation and active support to the DBELO in this effort. Superiors of the DBE Committee members, as part of their tasks and standards, shall include in their evaluation their performance in DBE area. Duties and responsibilities of the DBELO and the DBE Committee include the following:

- A. Gathers and reports statistical data and other information as required.
- B. Reviews third party contracts and purchase requisitions for compliance with this program.
- C. Works with all departments to determine projected Annual Anticipated DBE Participation Level.
- D. Ensures that bid notices and requests for proposals are available to DBEs.
- E. Analyzes Santa Cruz METRO's progress toward goal attainment and identifies ways to encourage participation through race-neutral means.
- F. Participates in pre-bid meetings.
- G. Advises the General Manager/Santa Cruz METRO's Board of Directors on DBE matters, achievement and DBE race-neutral issues, semi-annually.
- H. Provides DBEs with information, assistance and recommends resources to assist in preparing bids, obtaining bonding and insurance.
- I. Plans and participates in DBE training seminars.
- J. Semi-annually monitors the California Unified Certification Program for conformance with the criteria set by the DOT.
- K. Provides outreach to DBEs and community organizations to advise them of opportunities.

ATTACHMENT E

EXHIBIT A

- L. Maintains the Santa Cruz METRO's directory of certified DBEs.
- M. Provide Reports regarding DBE participation required by the federal regulations to DOT.

Article IV

Administrative Requirements

§4.401 Federal Financial Assistance Agreement Assurance (49 CFR §26.13(a))

Santa Cruz METRO has signed the following assurance, applicable to all DOT-assisted contracts and their administration:

Santa Cruz Metropolitan Transit District shall not discriminate on the basis of race, color, national origin, or sex in the award and performance of any DOT-assisted contract or in the administration of its DBE Program or the requirements of 49 CFR parts 26. The recipient shall take all necessary and reasonable steps under 49 CFR part 26 to ensure nondiscrimination in the award and administration of DOT-assisted contracts. The recipient's DBE Program, as required by 49 CFR part 26 and as approved by DOT, is incorporated by reference in this agreement. Implementation of this program is a legal obligation and failure to carry out its terms shall be treated as a violation of this agreement. Upon notification to the Santa Cruz METRO of its failure to carry out its approved program, the Department may impose sanctions as provided for under part 26, and may in appropriate cases, refer the matter for enforcement under 18 U.S.C. 1001 and/or the Program Fraud Civil Remedies Act of 1986 (31 U.S.C. 3801 et seq.).

§4.402 DBE Financial Institutions

It is the policy of the Santa Cruz METRO to investigate the full extent of services offered by financial institutions owned and controlled by socially and economically disadvantaged individuals in the community, to make reasonable efforts to use these institutions, and to encourage prime contractors on DOT-assisted contract to make use of these institutions. Santa Cruz METRO has made the following efforts to identify and use such institutions:

The DBELO has identified DBE financial institutions set forth in Appendix D which offer services in California. A list of socially and economically disadvantaged individuals/firms is available at the website for the Federal Reserve Board at www.federalreserve.gov/releases/mob. Santa Cruz METRO will encourage prime contractors to utilize such services when available.

The State of California, Department of General Services, Office of Small Business Certification and Resources also maintains a directory of financial institutions owned and controlled by socially and economically disadvantaged individuals online at

ATTACHMENT E

EXHIBIT A

www.osmb.dgs.ca.gov. The directory can be queried to locate DBE financial institutions from the *Services* section of the site.

§4.403

DBE Vendor Directory

- A. The State of California's Department of Transportation (Caltrans) maintains the main DBE Directory. The DBE Vendor Directory identifies all firms eligible to participate as DBEs. The DBE Directory is updated weekly and lists the name, address, phone number, certification date, NAIC code and type of work performed for vendors certified by it or by other agencies with which it has reciprocity. The Directory is available on the World Wide Web and can be downloaded from http://www.dot.ca.gov/hq/bep/find_certified.htm. The Santa Cruz METRO will use the Caltrans DBE Directory in its efforts to extend contracting opportunities to DBE Vendors.
- B. Santa Cruz METRO maintains a Directory identifying all firms eligible to participate as DBEs. The Directory includes the firm's name, address, phone number, date of the most recent certification and the type of work the firm has been certified to perform as a DBE. Santa Cruz METRO will revise on a continuing basis. Santa Cruz METRO makes the Directory available as follows: Interested individuals can contact Santa Cruz METRO's Purchasing Manager, Santa Cruz METRO Administrative Offices, 110 Vernon Street, Santa Cruz, CA, or (831) 426-0199 to request a copy. Additionally, Santa Cruz METRO directory information is included in appropriate solicitations with the in-house directory serving as a supplement to the CalTrans Directory.

§4.404

Bidder's List Records

- A. Santa Cruz METRO will create and maintain a Bidders List. The purpose of the list is to provide Santa Cruz METRO as accurate data as possible about the universe of DBE and Non-DBE contractors and subcontractors who seek to work on federally assisted contracts for use in helping Santa Cruz METRO set overall goals. Santa Cruz METRO will obtain the following information about DBE and Non-DBE contractors and subcontractors who bid or quote on Santa Cruz METRO's federally-assisted contracts:
 1. Firm name;
 2. Firm address;
 3. Firm's status as a DBE or non-DBE;
 4. Age of the firm (years in business); and
 5. The annual gross receipts of the firm. Santa Cruz METRO will obtain this information by asking each firm to indicate into what gross receipts bracket they fit (e.g., less than \$500,000; \$500,000-\$1million; \$1-2

ATTACHMENT E

EXHIBIT A

million; \$2-5 million; etc) rather than requesting an exact figure from the firm.

- B. In order to document DBE participation in procurements, Santa Cruz METRO requires all prime contractors and any of its subcontractors responding to Invitations For Bids (IFBs) to submit the above information to Santa Cruz METRO. All prime contractors and subcontractors responding to IFBs will also be asked to provide the scope of work to be performed by the DBE and the related dollar amount. Santa Cruz METRO will require this information when any bid, quote or qualification is submitted to it to be considered responsive. The Bidder's List will become the record of DBE participation Santa Cruz METRO's procurement process.

§4.405 Overconcentration

If the DBELO determines that DBE participation is so over-concentrated in certain types of work or contracting opportunities that it unduly burdens the participation on non-DBEs in that type of work, the DBELO will develop appropriate measures to address the over-concentration. The DBELO will seek approval of such measures from FTA and, at that time, the measures will become a part of this Program. Currently Santa Cruz METRO is unaware of any types of work that have a burdensome over-concentration of DBE participation.

§4.406 Business Development Programs

Santa Cruz METRO does not operate a business or mentor-protégé program at the present time. If Santa Cruz METRO implements such a program in the future, then Santa Cruz METRO will describe the rationale for having the program element, and the specific provisions of the element (e.g., who is eligible to participate, how the program element works, and how interested persons would obtain information about the program element). At the time of a decision to implement a business development or mentor-protégé program, the DBELO will seek approval of such program from FTA and, at that time, the program will become a part of the overall DBE Program.

§4.407 Fostering Small Business Participation (49 CFR §26.39)

- A. To facilitate competition by small business concerns, Santa Cruz METRO will take reasonable measures to eliminate obstacles that may preclude small business participation in procurements as prime contractors or subcontractors. The following efforts will be implemented by Santa Cruz METRO:
1. In multi-year design-build contracts or other large contracts, Santa Cruz METRO will require the prime contractor to provide subcontracting

ATTACHMENT E

EXHIBIT A

opportunities of a size that small businesses, including DBEs, can reasonably perform, rather than self-performing all of the work involved.

2. For prime contracts, Santa Cruz METRO will require the prime contractor to provide subcontracting opportunities of a size that small businesses, including DBEs, can reasonably perform, rather than self-performing all of the work involved.
3. Santa Cruz METRO will refrain from any unnecessary bundling of contract requirements that would otherwise prevent small businesses, including DBEs, from participating in Santa Cruz METRO's procurements.
4. Santa Cruz METRO will ensure that a reasonable number of prime contracts are of a size that small businesses, including DBEs, can reasonably perform.

Article V

Determining and Achieving the DBE Goal

§5.501 Santa Cruz Metropolitan Transit District's DBE Program Goal

The Santa Cruz METRO's DBE Program Goal is developed triennially by the DBELO and the DBE Committee in accordance with 49 CFR Part 26.45 as a stand-alone document which includes a public participation process, including outreach efforts and copies of public notices. The goal and its methodology is described in the Santa Cruz METRO's DBE Program Goal document, submitted triennially to the FTA Region IX Office by August 1st of the submission year and attached in Appendix E. Santa Cruz METRO's overall annual goal represents the amount of ready, willing and able DBEs that are available to participate in contracting opportunities and is reflective of the amount of DBE participation that Santa Cruz METRO would expect absent the effect of discrimination. Santa Cruz METRO intends to meet this goal to the maximum extent feasible through exclusively race-neutral measures.

§5.502 Reaching the Goal

- A. Santa Cruz METRO shall attempt to meet the maximum feasible portion of the overall goal by using race-neutral means of facilitating DBE participation. Santa Cruz METRO will use contract goals adequate to meet any portion of the overall goal it does not project being able to meet using race-neutral means where it is demonstrated through a disparity study that race conscious methodologies would remedy past discrimination.

ATTACHMENT E

EXHIBIT A

- B. As allowed by federal and state law, Santa Cruz METRO will establish contract goals only on those U.S. DOT-assisted contracts that have subcontracting possibilities. Santa Cruz METRO will not establish a contract goal on every contract and the size of contract goals will be adapted to the circumstances of each such contract (e.g. type and location of work, availability of DBEs to perform the particular type of work).
- C. If allowed by federal and state law, each solicitation for which a contract goal has been established will require the bidders/offerors to submit the following information:
1. The names and addresses of DBE firms that will participate in the contract;
 2. A description of the work that each DBE will perform;
 3. The dollar amount of the participation of each DBE firm;
 4. Written and signed documentation of commitment to use a DBE subcontractor whose participation it submits to meet a contract goal;
 5. Written and signed confirmation from DBE that it is participating in the contract as provided in the prime contractor's commitment; and
 6. If the contract goal is not met, evidence of good faith efforts.
- D. The obligation of the bidder/offeror is to make good faith efforts. The bidder/offeror can demonstrate that it has done so either by meeting the contract goal or documenting good faith efforts.
- E. Santa Cruz METRO treats bidder/offerors' compliance with good faith efforts requirements as a matter of responsiveness. The Purchasing Manager/designee is responsible for determining whether a bidder/offeror who has not met the contract goal has documented sufficient good faith efforts to be regarded as a responsive bidder/offeror. The Purchasing Manager/designee will consider all relevant information submitted by the bidder/offeror in making this determination including the following:
1. Advertising and attendance at pre-bid conferences to solicit DBE participation;
 2. Packaging portions of the work to increase the likelihood that DBE vendors could participate;
 3. Instances of negotiations with DBE vendors to make portions of contract work available including names, addresses, phone number of DBEs contacted; and

ATTACHMENT E

EXHIBIT A

4. Use of community organizations, contractors' groups, minority and women business organizations to provide assistance in recruiting DBE firms.
- F. The Purchasing Manager/designee will ensure that all information is complete and accurate and adequately documents the bidder/offeror's good faith efforts before Santa Cruz METRO commits to the performance of the contract by the bidder/offeror.
- G. Within 5 days of being informed by Santa Cruz METRO that it is not responsive because it has not documented sufficient good faith efforts, a bidder/offeror may request administrative reconsideration. Bidders/offerors must make this request in writing to the following reconsideration official: General Manager, 110 Vernon Street, Santa Cruz, CA 95060, or AClifford@scmtd.com. The reconsideration official will not have played any role in the original determination that the bidder/offeror did not document sufficient good faith efforts.
- H. As part of this reconsideration, the bidder/offeror will have the opportunity to provide written documentation or argument concerning the issue of whether it met the goal or make adequate good faith efforts to do so. The bidder/offeror will have the opportunity to meet in person with the reconsideration official to discuss the issue of whether it met the goal or made adequate good faith efforts to do so. The General Manager will send a written decision on reconsideration, explaining the basis for finding that the bidder did or did not meet the goal to make adequate good faith efforts to do so. The result of the reconsideration process is not administratively appealable to the Department of Transportation.

§5.503

Transit Vehicle Manufacturer Certification

Each Transit Vehicle Manufacturer (TVM) will certify that they have complied with the requirements of *49 CFR §26.49* as a condition of bidding or proposing on FTA-assisted transit vehicle procurements. TVMs must obtain FTA approval of an annual DBE participation goal and the principles underlying *49 CFR §26.45* shall be used as a guide in setting this goal. TVMs shall provide Santa Cruz METRO a copy of the FTA approval of their annual goal.

§5.504

Quotas, Set-Asides or Preferences

Santa Cruz METRO will not use quotas or set-asides, or preferences in the design or administration of this DBE program.

ATTACHMENT E

EXHIBIT A

§5.505 Good Faith Efforts when a DBE is replaced on a contract

- A. The Santa Cruz METRO will require a contractor to make good faith efforts to replace a DBE that is terminated or has otherwise failed to complete its work on a contract with another certified DBE, to the extent needed to meet the contract goal. The Santa Cruz METRO will require the prime contractor to notify the DBE Liaison Officer immediately of a DBE's inability or unwillingness to perform on a contract and will require reasonable documentation of contract non-performance when a DBE is replaced.
- B. In this situation, Santa Cruz METRO requires the prime contractor to obtain Santa Cruz METRO's prior written approval of the substitute DBE and to provide copies of new or amended subcontracts or documentation of good faith efforts when the prime contractor fails to replace a DBE certified contractor with another certified DBE on a contract. Good faith efforts to include advertising to solicit DBE vendors, instances of negotiations with DBE vendors including names, addresses, phone number of DBE contact, and use of community organizations, contractors' groups, minority and women-owned business organizations to provide assistance in identifying and recruiting DBEs. The prime contractor shall not terminate for convenience a DBE subcontractor or an approved substitute DBE firm and then perform the work of the terminated subcontract with its own forces or those of an affiliate without Santa Cruz METRO's prior written consent.
- C. If the contractor fails to comply with this requirement for DBE replacement on a contract, Santa Cruz METRO will issue a "Stop Work Order" and suspend payments until satisfactory action has been taken. If the contractor still fails to comply, Santa Cruz METRO may initiate a "Termination for Default Proceeding."

§5.506 Determining and Meeting DBE Participation Goals

- A. DBE participation in a contract will be counted as only the value of the work actually performed by the DBE toward DBE goals. Santa Cruz METRO shall count the entire amount of that portion of the contract that is performed by the DBE's own forces. The cost of supplies and materials obtained by the DBE for the work of the contract, including supplies purchased or equipment leased by the DBE (except supplies and equipment the DBE subcontractor purchases or leases from the prime contractor or its affiliates) shall also be included.
- B. The entire amount of fees or commissions charged by a DBE firm for providing a bona fide service, such as professional, technical, consultant, or managerial services or for providing bonds or insurance specifically required for the performance of a DOT-assisted contract toward DBE goals shall be counted

ATTACHMENT E EXHIBIT A

provided Santa Cruz METRO determines that the fees are reasonable and not excessive as compared with fees customarily allowed for similar services.

- C. If a DBE subcontracts work to another DBE and not a non-DBE, that work shall be counted toward DBE goals. When a DBE participates in a joint venture, the portion of the total dollar value of the contract equal to the distinct, clearly defined portion of the work of the contract that the DBE performs with its own forces shall be counted toward DBE goals. Only expenditures to a DBE contractor that are a commercially useful function of the contract shall be counted toward DBE goals.
- D. Santa Cruz METRO will count all expenditures with DBEs for materials or supplies provided that the materials or supplies are obtained from a DBE manufacturer (100% of the expenditures) or from a DBE regular dealer (60% of the expenditures).
- E. If a firm is not currently certified as a DBE, Santa Cruz METRO will not count the firm's participation toward any DBE goals except as allowed by the DBE regulations. Santa Cruz METRO will not count the dollar value of work performed under a contract with a firm after it has ceased to be certified as a DBE contractor. Santa Cruz METRO will not count participation of a DBE subcontractor toward the prime contractor's DBE achievements or Santa Cruz METRO's overall goal until the amount being counted has been paid to the DBE.

Article VI Required Contract Provisions

§6.601 General Conditions of the Contract

Santa Cruz METRO will include the following clause in every DOT-assisted contract and subcontract:

The contractor, sub recipient or subcontractor shall not discriminate on the basis of race, color, national origin, or sex in the performance of this contract. The contractor shall carry out applicable requirements of 49 CFR Part 26 in the award and administration of DOT-assisted contracts. Failure by the contractor to carry out these requirements is a material breach of this contract, which may result in the termination of this contract or such other remedy as the recipient deems appropriate.

§6.602 Prompt Progress Payment (49 CFR §26.29)

- A. Santa Cruz METRO will include the following clauses in each DOT-assisted prime contract:

A prime contractor or subcontractor shall pay to any subcontractor not later than 10 days of receipt of each progress payment, in accordance with the provision in Section

ATTACHMENT E EXHIBIT A

7108.5 of the California Business and Professions Code concerning prompt payment to subcontractors. The 10-days are applicable unless a longer period is agreed to in writing. Any delay or postponement of payment over 30-days may take place only for good cause and with Santa Cruz METRO prior written approval. Any violation of Section 7108.5 shall subject the violating contractor or subcontractor to the penalties, sanctions, and other remedies of that Section. This clause applies to both DBE and non-DBE subcontractors.

If there is a good faith dispute over all or any portion of the amount due on a progress payment from the prime contractor or subcontractor to a subcontractor, the prime contractor or subcontractor may withhold no more than 150 percent of the disputed amount.

The prime contractor must maintain records of all subcontracts entered into with DBEs and records of materials purchases from DBE suppliers. Such records shall show the name and business address of each DBE subcontractor or vendor and the total dollar amount actually paid to each DBE subcontractor or vendor.

The prime contractor must also submit to the Project Manager's office an affidavit certifying the payment was made to the DBE subcontractor or supplier to be signed by both the prime contractor and the DBE. Such an affidavit must be submitted during the project any time a progress or final payment is made to a DBE, and when any retainage held is returned. A summary certification affidavit must be submitted at the completion of the project.

- B. Prime Contractors must include the **prompt payment language** set forth above in all subcontracts, regardless of subcontractor's DBE status.
- C. Failure of a prime contractor to uphold prompt payment requirements for subcontractors will result in Santa Cruz METRO withholding reimbursement for completed work.

Article VII Monitoring and Enforcement Mechanisms

§7.701

The Santa Cruz METRO will take the following monitoring and enforcement mechanisms to ensure compliance with 49 CFR Part 26:

- A. Santa Cruz METRO will bring to the attention of the Department of Transportation (DOT) any false, fraudulent, or dishonest conduct in connection with the program, so that DOT can take the steps (e.g., referral to the Department of Justice for criminal prosecution, referral to the DOT Inspector General, action under suspension and debarment or Program Fraud and Civil Penalties rules) provided in 49 CFR 26.109;

ATTACHMENT E

EXHIBIT A

- B. Santa Cruz METRO will consider similar action under its own legal authority including responsibility determinations in future contracts.
- C. Santa Cruz METRO will provide a monitoring and enforcement mechanism to verify that work committed to DBEs at contract award is actually performed by the DBEs. This will be accomplished by the Project Manager confirming that the work set forth to be performed by the DBE is actually performed by the DBE through visual observation and firm identity confirmation. The Project Manager/Contract Administrator will keep a running tally of actual payments to DBE firms for work committed to them at the time of contract award. The Project Manager/Contract Administrator shall track the actual DBE participation through contractor and subcontractor reports of payments, and other appropriate monitoring. The DBELO will ensure that DBE participation is counted toward the overall annual goal in accordance with the federal regulations. The DBELO will perform interim audits of contract payments to DBEs. The audit will review payments to DBE subcontractors to ensure that the actual amount paid to DBE subcontractors equals or exceeds the dollar amounts stated in the schedule of DBE participation.

§7.702

Monitoring Payments to DBEs

- A. Santa Cruz METRO will require prime contractors to maintain records and documents of payments to DBEs for three years following the performance of the contract. These records will be made available for inspection upon request by any authorized representative of the Santa Cruz Metropolitan Transit District or DOT. This reporting requirement also extends to any certified DBE subcontractor.
- B. Santa Cruz METRO will perform interim audits of contract payments to DBEs. The audit will review payments to DBE subcontractors to ensure that the actual amount paid to DBE subcontractors equals or exceeds the dollar amounts stated in the schedule of DBE participation.

Article VIII

Certification Standards

§8.801

No In-House Certification Process

Santa Cruz METRO will use the certification standards of Subpart D of 49 CFR Part 26 to determine the eligibility of firms to participate as DBEs in DOT-assisted contracts. To be certified as a DBE, a firm must meet all certification eligibility standards. Santa Cruz METRO is a non-certifying member of the California Unified Certification Program (UCP) administered by the California Department of Transportation (CalTrans). The Caltrans DBE certification program has been approved by the Federal Highway Administration as meeting the standards of 49 CFR Part 26. The Caltrans Office of Civil rights ensures that applicants requesting

ATTACHMENT E EXHIBIT A

certified DBE status adequately demonstrate that they are members of a socially and economically disadvantaged group listed in 49 CFR §26.67 and that the firm which they control is an existing small business as defined by the Small Business Administration (SBA) standards. In addition, the bidder/offeror must submit the required application and a signed and notarized statement of personal net worth with appropriate supporting documentation (See Appendix F- California Unified Certification Program for Disadvantaged Business Enterprise (DBE)).

Applications forms for certification as a DBE and a directory of certified DBE firms are available at the Caltrans Office of Civil Rights web page, <http://www.dot.ca.gov/hq/bep/>.

§8.802 Certification Appeals

In the event Santa Cruz METRO proposes removing a DBE's certification, Santa Cruz METRO will coordinate with the Caltrans Office of Civil Rights and follow procedures consistent with 49 CFR §26.87.

***If a firm's request for certification is denied or a firm is decertified, it may not reapply for certification through Caltrans until twelve months have elapsed from the initial action.**

Any firm or complainant may appeal the decision in a certification matter to the U.S. Department of Transportation. Such appeals may be sent to:

**Department of Transportation
Office of Civil Rights
1200 New Jersey Avenue, SE
Washington, DC 20590
(202) 366-4648
Fax: (202) 366-7717**

Santa Cruz METRO will promptly implement any DOT certification appeal decisions affecting the eligibility of DBEs for our DOT-assisted contracting (e.g., certify a firm if DOT has determined that the denial of its application or the de-certification was erroneous).

§8.803 Recertification Procedures

Santa Cruz METRO will review the eligibility of DBEs that Santa Cruz METRO certified under former part 23. Santa Cruz METRO will compare its list of previously certified DBEs with the Caltrans vendor directory to verify that a DBE firm meets the standards of Subpart D of 49 CFR Part 26. For vendors not currently listed in the Caltrans DBE vendor directory, Santa Cruz METRO will contact the vendor and request that they pursue certification through Caltrans or that they provide evidence of a current certification established by another California DOT recipient

ATTACHMENT E

EXHIBIT A

or by the Small Business Administration under the SBA 8(a) or small and disadvantaged business program (SDB).

§8.804 Certification Affidavits and Notices of Change

- A. Santa Cruz METRO requires all DBEs to provide a written affidavit of any change in its circumstances affecting its ability to meet size, disadvantaged status, ownership or control criteria of *49 CFR Part 26* or of any material changes in the information provided with the current certification while participating in DOT-assisted procurement with the Santa Cruz METRO.
- B. Santa Cruz METRO will require owners of certified DBEs under contract to Santa Cruz METRO for DOT-assisted procurement to present, on the anniversary date of their certification, a “no change” affidavit meeting the requirements of *49 CFR §26.83(j)*. The text of this affidavit is the following:

I swear (or affirm) that there have been no changes in the circumstances of NAME of DBE firm affecting its ability to meet the size, disadvantaged status, ownership, or control requirements of 49 CFR Part 26. There have been no material changes in the information provided with NAME of DBE firm 's application for certification, except for any changes about which you have provided written notice to the California Department of Transportation Office of Civil Rights under §26.83(i). NAME of DBE firm meets Small Business Administration (SBA) criteria for being a small business concern and its average annual gross receipts (as defined by SBA rules) over the firm's previous three fiscal years do not exceed \$22.41 million.

- C. Santa Cruz METRO requires DBEs to submit documentation of the firm's size and gross receipts along with the required affidavit.
- D. Santa Cruz METRO will notify certified DBE firms contracting with Santa Cruz METRO in DOT-assisted procurements of these obligations in August of each year after the new DBE goals have been established. This notification will inform DBEs that in order to submit the “no change” affidavit, their owners must affirm that they meet all regulatory requirements of Part 26, including personal net worth limitations. Likewise, if a firm's owner knows or should know that he/she, or the firm, fails to meet an eligibility requirement (e.g., personal net worth) under *49 CFR Part 26*, the obligation to submit a notice of change applies.

Article IX

Information Collection and Reporting

§9.901 Reporting to DOT

Santa Cruz METRO will continue to provide data about its DBE program to the DOT as directed by the DOT operating administrations. Santa Cruz METRO will report

ATTACHMENT E EXHIBIT A

DBE participation to DOT on a semi-annual basis. These reports will reflect payments actually made to DBEs on DOT-assisted contracts.

§9.902

Confidentiality

Santa Cruz METRO will safeguard from disclosure to third parties any information that may reasonably be regarded as confidential business information, consistent with Federal, State, and local law. As allowed by Federal and State law, Santa Cruz METRO will not release personal financial information submitted in response to the personal net worth requirement to a third party (other than DOT) without the written consent of the submitter.

Article X Appendices

- A. Annual Commitment Statement
- B. DBE Program Summary
- C. Santa Cruz METRO's Organization Chart
- D. Minority-Owned Financial Institutions in California
- E. Santa Cruz METRO's DBE Goal for FFY15 – FFY17
- F. California Unified Certification Program for Disadvantaged Business Enterprise (DBE)

ATTACHMENT E
EXHIBIT A - APPENDIX A

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

Santa Cruz Metropolitan Transit District
Disadvantaged Business Enterprise Program
(49 CFR Part 26)

ANNUAL COMMITMENT STATEMENT

The Santa Cruz Metropolitan Transit District (Santa Cruz METRO) has established a Disadvantaged Business Enterprise (DBE) Program in accordance with regulations of the U.S. Department of Transportation (DOT) *49 CFR Part 26*. Santa Cruz METRO has received Federal financial assistance from the DOT, and as a condition of receiving this assistance, the Santa Cruz METRO has signed an assurance that it will comply with *49 CFR Part 26*.

It is the policy of the Santa Cruz METRO to ensure that DBEs as defined in part 26, have an equal opportunity to receive and participate in DOT-assisted contracts. It is also Santa Cruz METRO's Policy:

1. To ensure nondiscrimination in the award and administration of DOT-assisted contracts;
2. To create a level playing field on which DBEs can compete fairly for DOT-assisted contracts;
3. To ensure that the DBE Program is narrowly tailored in accordance with applicable law;
4. To ensure that only firms that fully meet *49 CFR Part 26* eligibility standards are permitted to participate as DBEs;
5. To help remove barriers to the participation of DBEs in DOT assisted contracts;
6. To assist the development of firms that can compete successfully in the market place outside the DBE Program.

The Finance Manager has been delegated as the DBE Liaison Officer (DBELO). In that capacity, the DBELO is responsible for implementing all aspects of the DBE program. The DBELO shall have direct, independent access to the GENERAL MANAGER concerning all DBE PROGRAM matters. Implementation of the DBE Program is accorded the same priority as compliance with all other legal obligations incurred by Santa Cruz METRO in its financial assistance agreements with the DOT.

Santa Cruz METRO has disseminated this Annual Commitment Statement to the Santa Cruz METRO Board of Directors and all components of the organization. Santa Cruz METRO has distributed this statement to DBE and non-DBE business communities that perform work for Santa Cruz METRO on DOT-assisted contracts by an inclusion in legal advertisements for all procurements.

ALEX CLIFFORD,
CEO/General Manager

DATE

- THIS PAGE INTENTIONALLY LEFT BLANK -

ATTACHMENT E

EXHIBIT A - APPENDIX B

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT



Federal Disadvantaged Business Enterprise (DBE) Program

The Santa Cruz Metropolitan Transit District (Santa Cruz METRO) has established a Disadvantaged Business Enterprise (DBE) program in accordance with the regulations of the U.S. Department of Transportation (USDOT). The program purpose is to ensure that DBEs have an equal opportunity to participate in USDOT assisted contracts.

Program guidelines and procedures help to ensure that DBEs have equal opportunity to compete for contracts, subcontracts, and agreements in the award and administration of USDOT assisted contracts.

Additional program objectives include:

- Ensure nondiscrimination in the award of USDOT assisted contracts.
- Create a level playing field on which DBEs can compete fairly for USDOT assisted contracts.
- Ensure that a firm meets federal eligibility standards (*49 CFR Part 26*) prior to participation in the DBE Program.
- Assist in identifying and removing barriers to participation for DBEs in federally assisted contracts.
- Assist in the development of Disadvantaged Business Enterprises, in order to increase their competitiveness in the market place.

How to participate:

Firms seeking to be certified as a Disadvantaged Business Enterprise (DBE) should contact the state of California Office of Business and Economic Opportunity.

http://www.dot.ca.gov/hq/bep/business_forms.htm

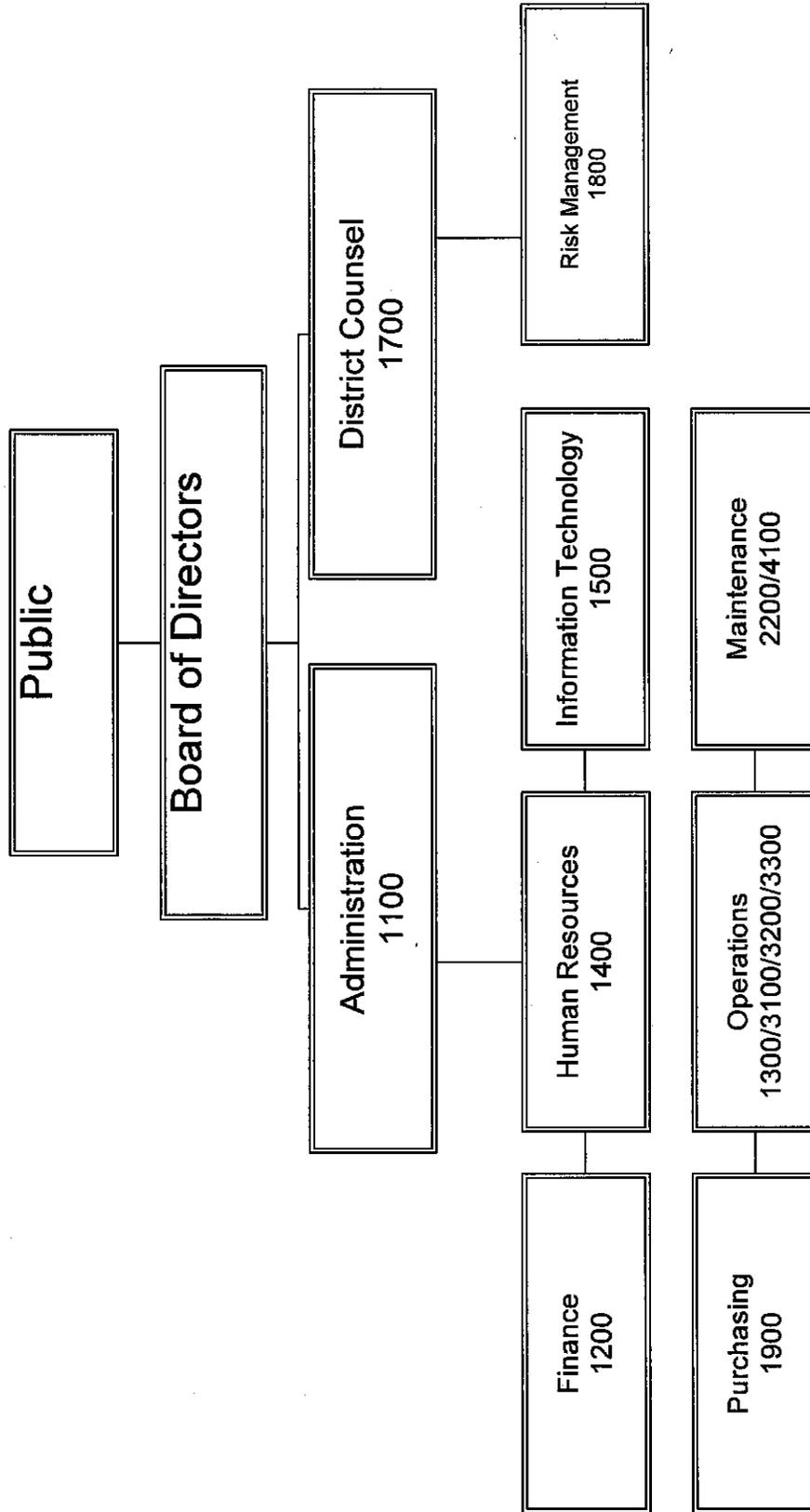
Firms may also contact:

The Santa Clara Valley Transportation Authority (VTA), Office of Small and Disadvantaged Businesses in San Jose, California for information on the eligibility criteria, instructions and certification materials. Their offices are located at 3331 N. First St., Bldg. A, San Jose, CA 95134, or they can be reached at (408) 321-5962.

*If your firm has its principal place of business in another state and is currently certified in that state, please contact the California Department of Transportation (DOT).

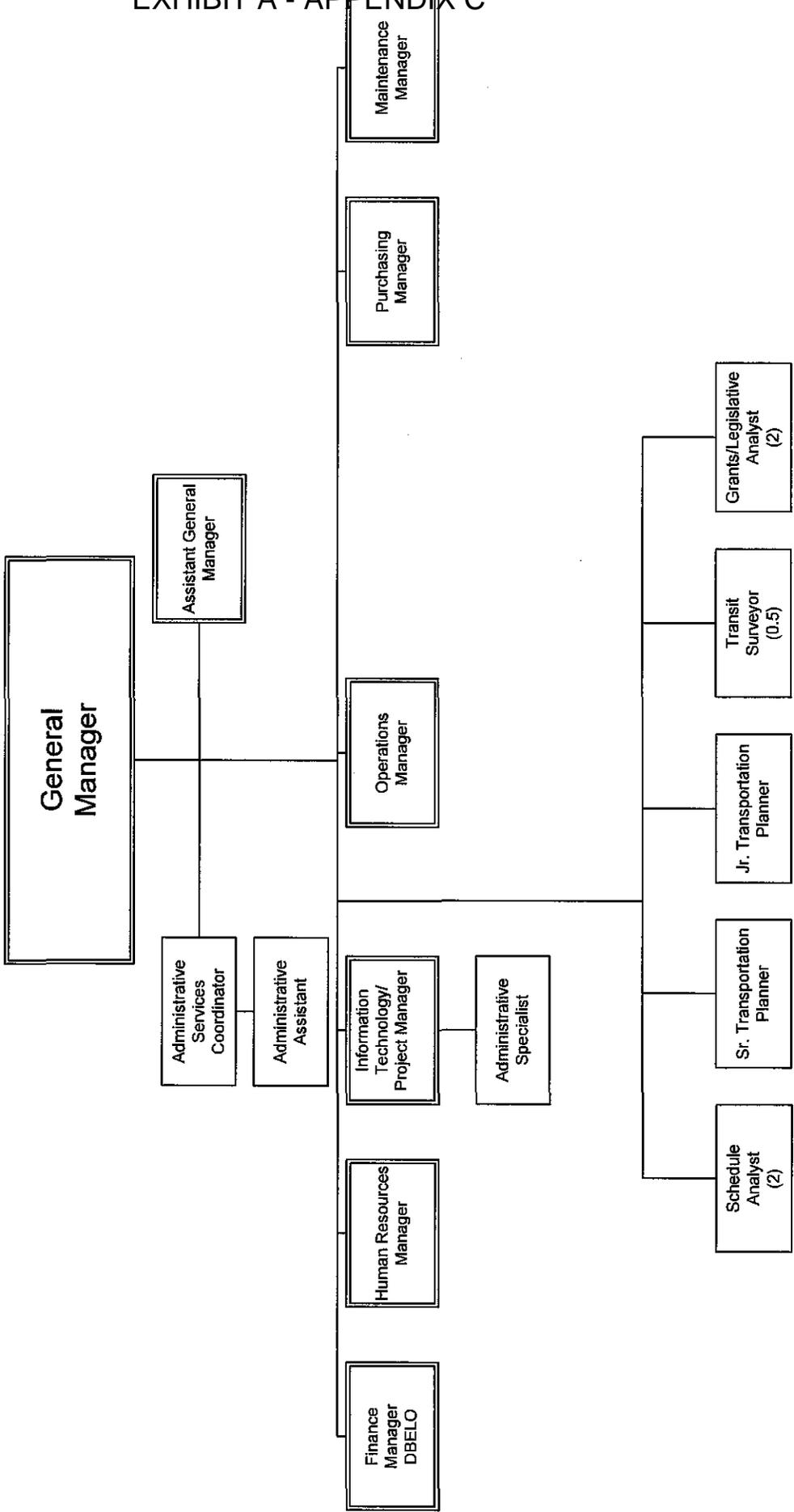
- THIS PAGE INTENTIONALLY LEFT BLANK -

Santa Cruz Metropolitan Transit District (Santa Cruz METRO)



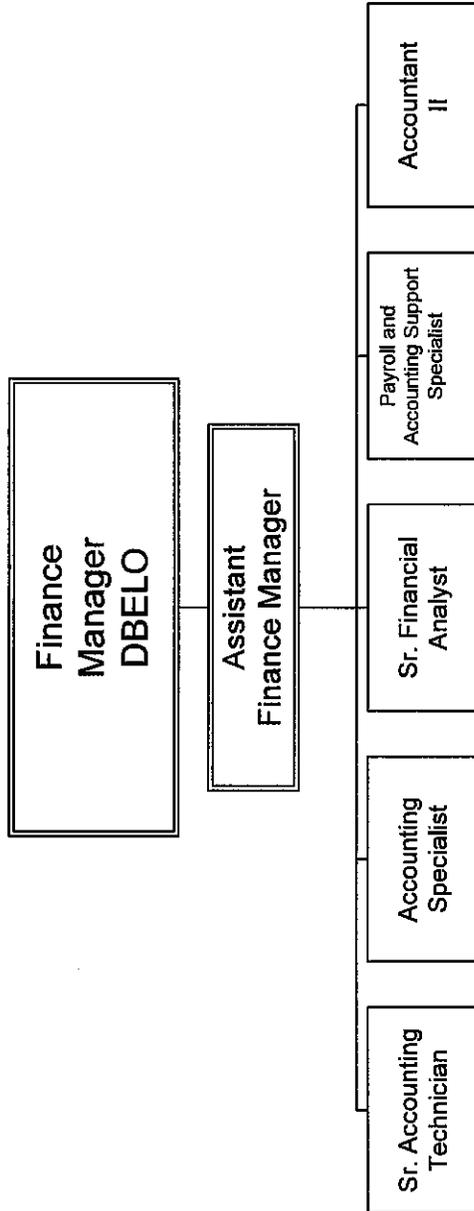
ATTACHMENT E
EXHIBIT A - APPENDIX C

Administration
1100



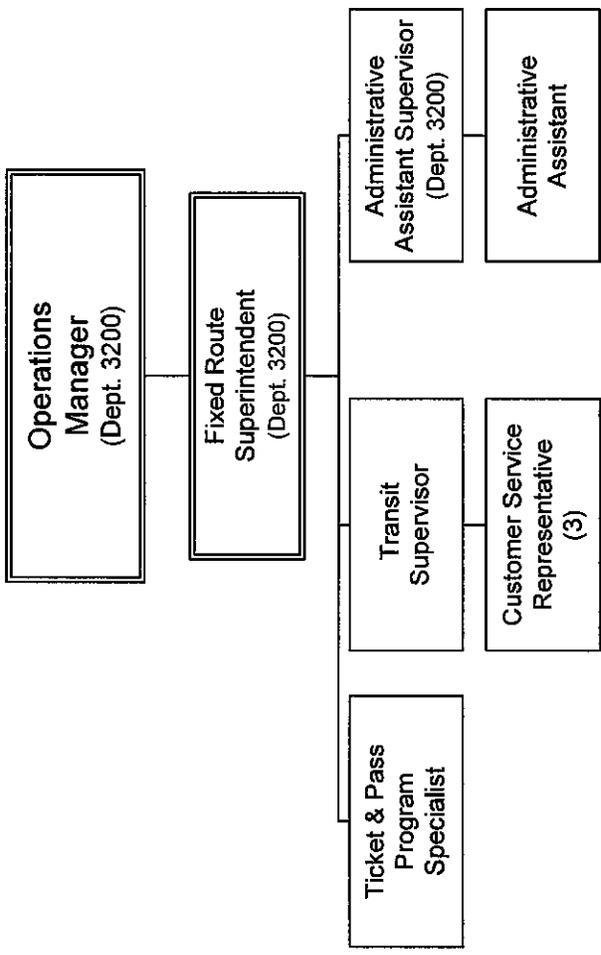
ATTACHMENT E
EXHIBIT A - APPENDIX C

Finance
1200



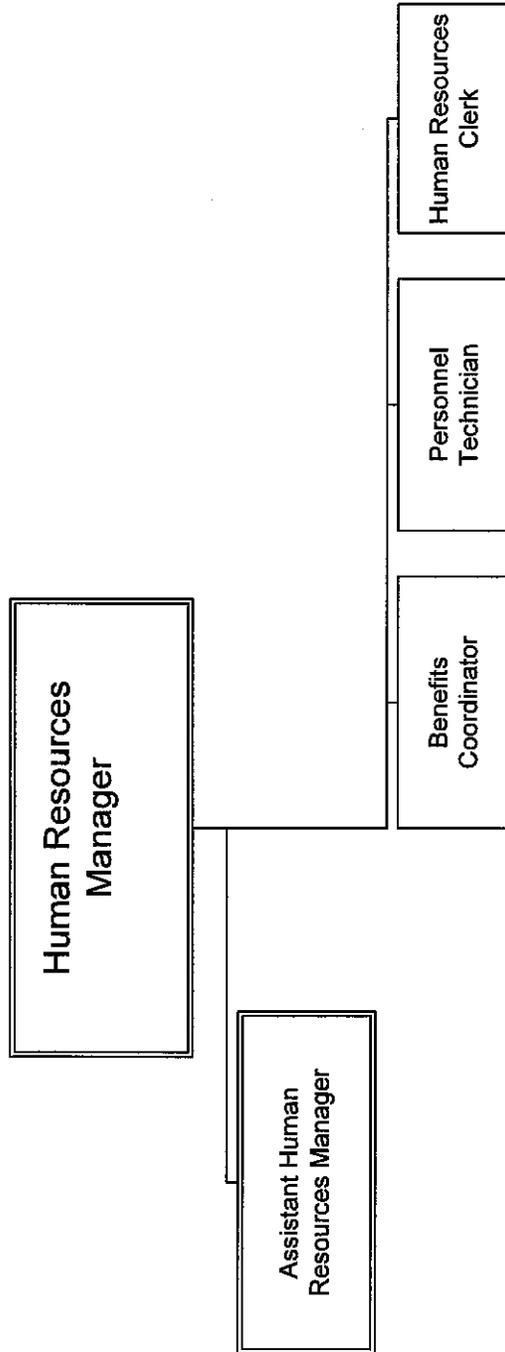
ATTACHMENT E
EXHIBIT A - APPENDIX C

Customer Service
1300



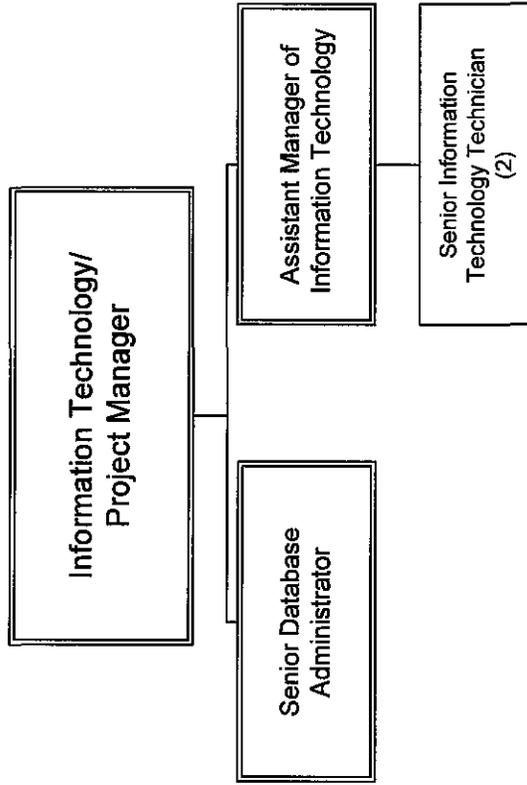
ATTACHMENT E
EXHIBIT A - APPENDIX C

Human Resources
1400



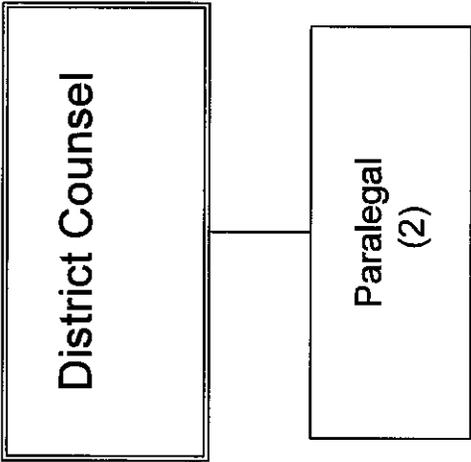
ATTACHMENT E
EXHIBIT A - APPENDIX C

Information Technology
1500



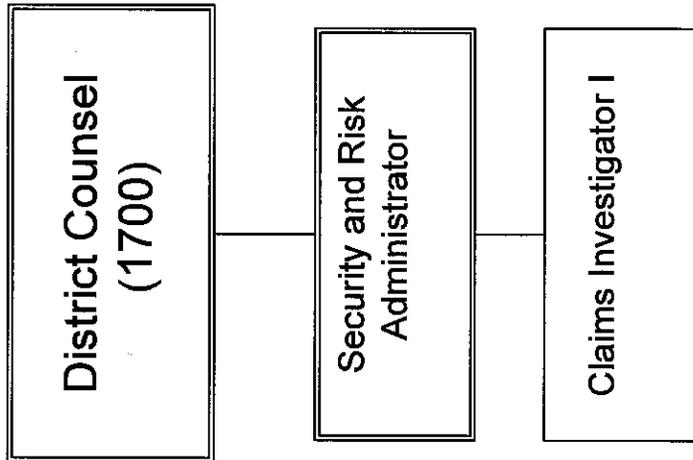
ATTACHMENT E
EXHIBIT A - APPENDIX C

District Counsel
1700



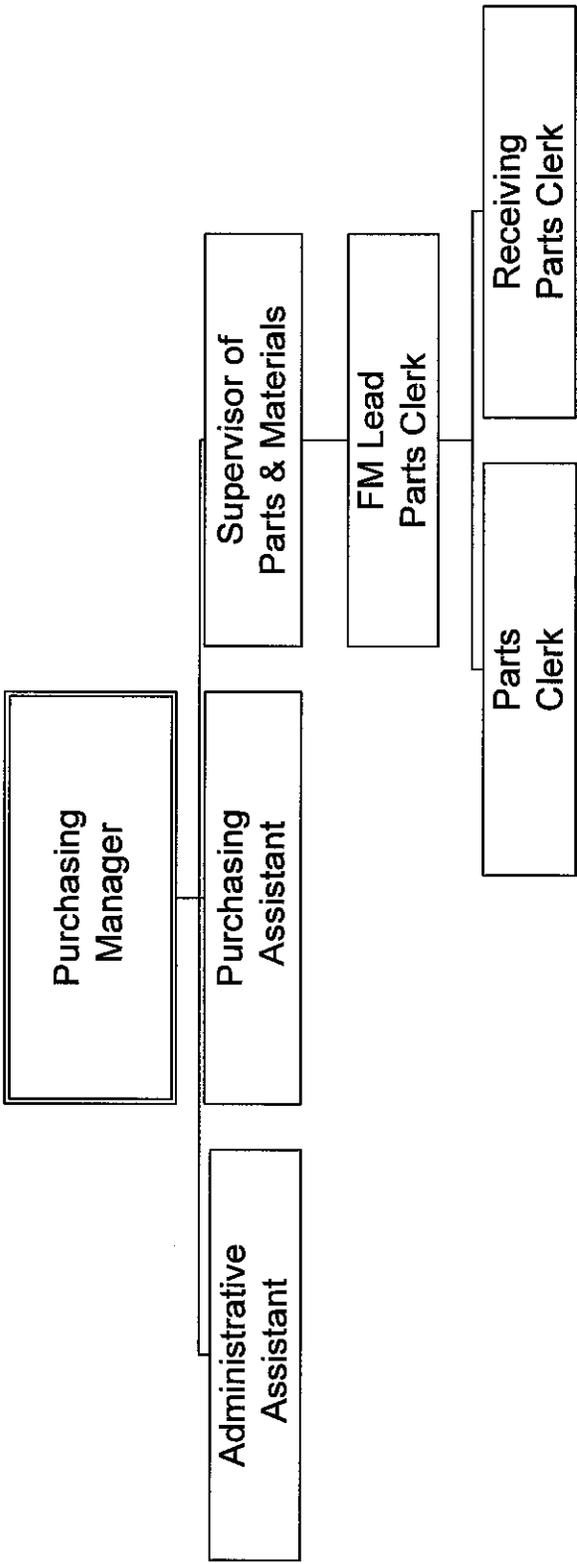
ATTACHMENT E
EXHIBIT A - APPENDIX C

Risk Management
1800



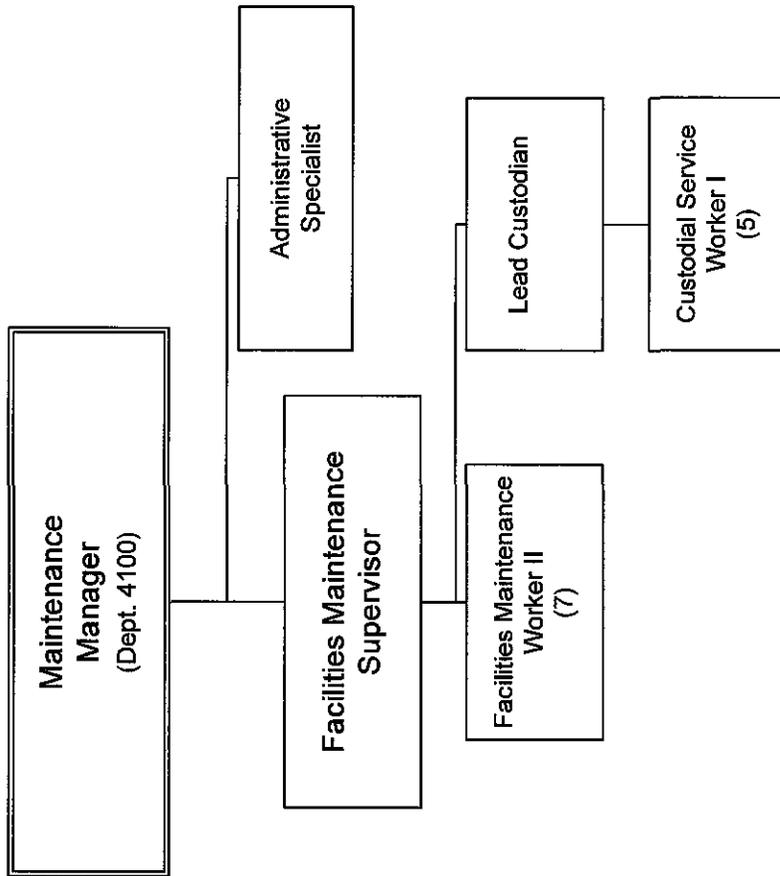
ATTACHMENT E
EXHIBIT A - APPENDIX C

Purchasing
1900



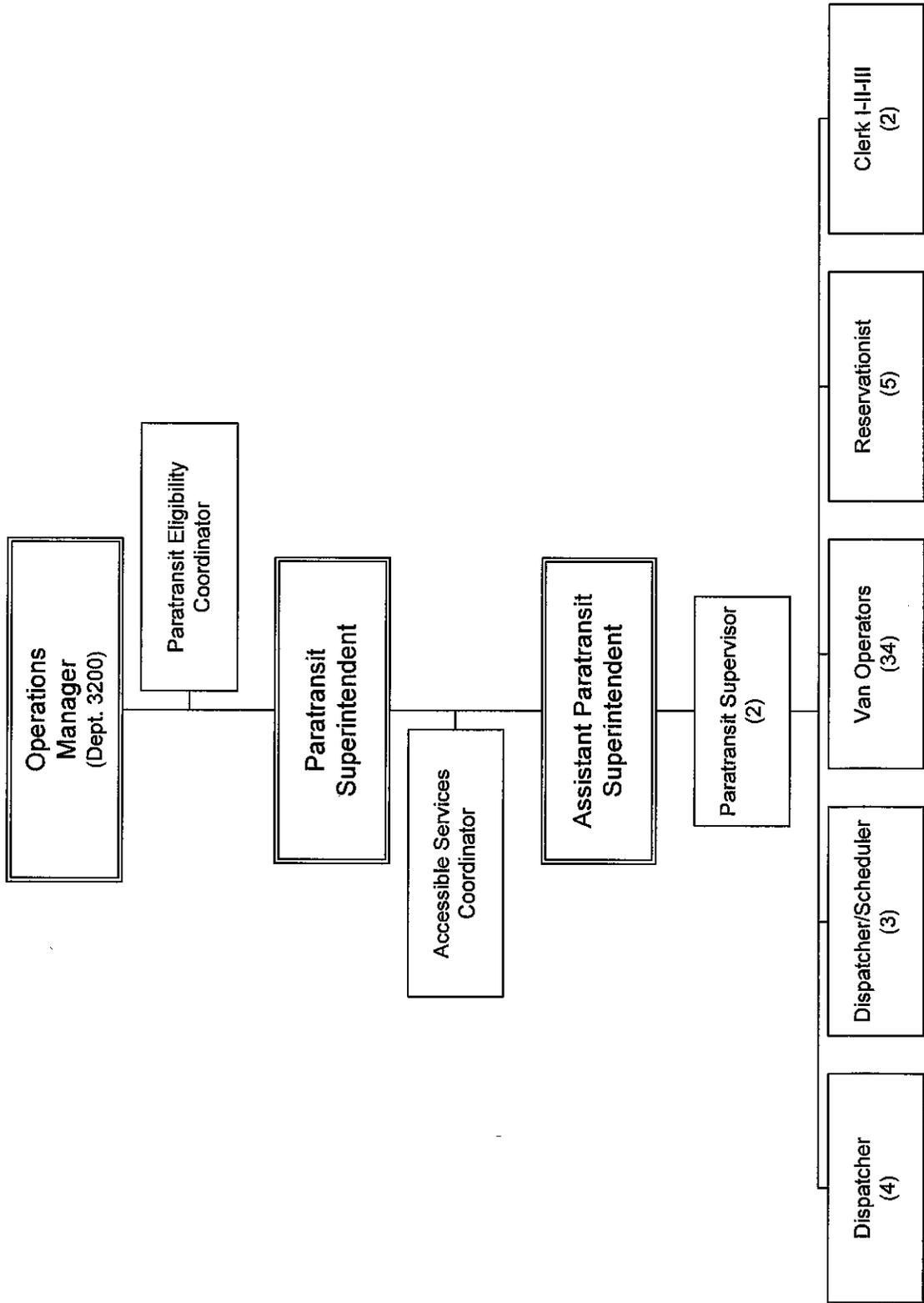
ATTACHMENT E
EXHIBIT A - APPENDIX C

Facilities Maintenance
2200



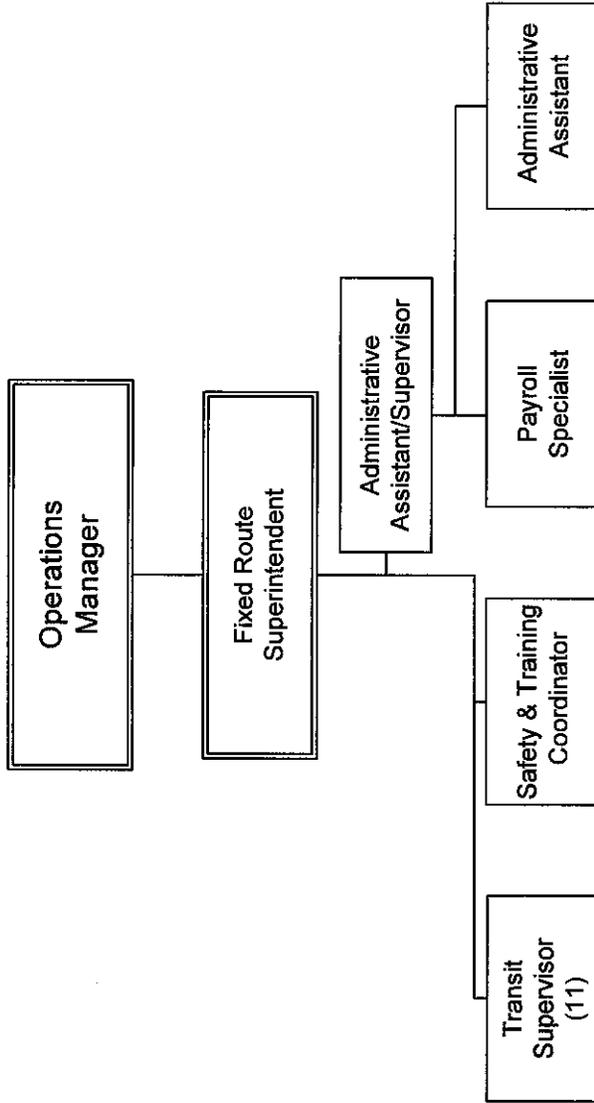
ATTACHMENT E
EXHIBIT A - APPENDIX C

Paratransit
3100



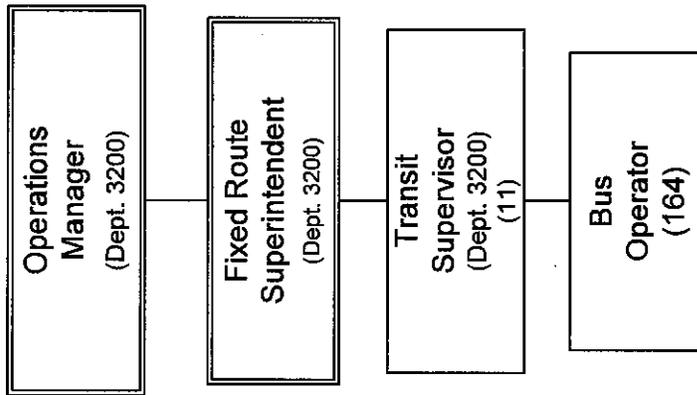
ATTACHMENT E
EXHIBIT A - APPENDIX C

Operations
3200



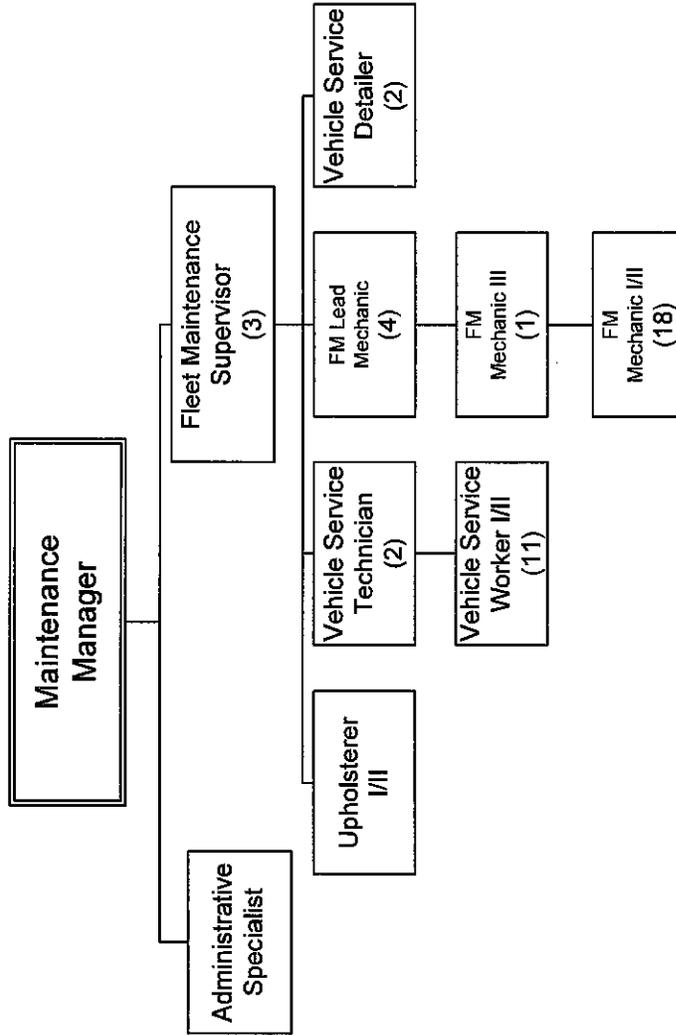
ATTACHMENT E
EXHIBIT A - APPENDIX C

**Bus Operators
3300**



ATTACHMENT E
EXHIBIT A - APPENDIX C

Fleet Maintenance
4100



Federal Reserve Statistical Release



Minority-Owned Banks

Release dates
 Current release Other formats: [ASCII](#) | [PDF \(51 KB\)](#)

MINORITY OWNED FINANCIAL INSTITUTIONS and THEIR BRANCHES as of December 31, 2013
 SORTED by STATE - (Assets and Deposits in Thousands)

| Bank/Branch Name | Location | ID | Chtr Class | Ent Type | BHC Name | Min Cd | Minority Ownership Dt | Established Dt | Assets | Deposits |
|---------------------------------------|----------------|---------|------------|----------|-----------------------|--------|-----------------------|----------------|----------|----------|
| ALAMERICA BK | BIRMINGHAM, AL | 2877484 | 207 | NMB | ALAMERICA BANCCORP | 1 | 2002-10-24 | 2000-01-28 | \$41,325 | \$31,977 |
| COMMONWEALTH NB | MOBILE, AL | 578237 | 117 | NAT | CNB BC | 1 | 1976-02-19 | 1976-02-19 | \$59,980 | \$55,032 |
| COMMONWEALTH NB, CRICHTON BR | MOBILE, AL | 2627812 | | | | | 1999-07-09 | 1997-11-01 | | |
| COMMONWEALTH NB, DOWNTOWN BR | MOBILE, AL | 4231521 | | | | | 2009-05-21 | 2009-05-21 | | |
| FIRST TUSKEGEE BK | TUSKEGEE, AL | 1897168 | 207 | NMB | BIRTHRIGHT | 1 | 1991-10-12 | 1991-10-12 | \$58,011 | \$52,208 |
| FIRST TUSKEGEE BK, DOWNTOWN BR | MONTGOMERY, AL | 2400378 | | | | | 1996-01-09 | 1996-01-09 | | |
| FIRST TUSKEGEE BK, EASTDALE CIRCLE BR | MONTGOMERY, AL | 3600009 | | | | | 2007-04-30 | 2007-04-30 | | |
| FRIEND BK | SLOCOMB, AL | 244037 | 207 | NMB | SNB HOLD | 5 | 2002-01-02 | 1905-10-01 | \$70,778 | \$63,223 |
| FRIEND BK, | DOTHAN, AL | 3642399 | | | | | 2007-03-12 | 2007-03-12 | | |

ATTACHMENT E EXHIBIT A - APPENDIX D

| | | | | | | | | | | | |
|--|--------------------|---------|-----|-----|-----------------------|----|--|------------|------------|-----------|-----------|
| BANK OF THE ORIENT, SAN FRANCISCO CHINATOWN BR | SAN FRANCISCO, CA | 776864 | | | | | | 1992-09-22 | 1972-12-01 | | |
| BANK OF THE ORIENT, SAN FRANCISCO CLEMENT & 6TH BR | SAN FRANCISCO, CA | 210368 | | | | | | 1992-09-22 | 1975-02-26 | | |
| BANK OF THE ORIENT, SAN FRANCISCO IRVING ST BR | SAN FRANCISCO, CA | 2543556 | | | | | | 1997-02-24 | 1997-02-24 | | |
| BANK OF WHITTIER NA | WHITTIER, CA | 209362 | 117 | NAT | GREATER PACIFIC BSHRS | 20 | | 2011-01-19 | 1982-12-20 | \$58,232 | \$48,506 |
| BANK OF WHITTIER NA, RICHARDSON BR | RICHARDSON, TX | 4395067 | | | | | | 2011-06-23 | 2011-06-23 | | |
| COMMUNITY CMRC BK | CLAREMONT, CA | 299868 | 207 | NMB | | 10 | | 2002-07-31 | 1976-10-01 | \$229,734 | \$152,852 |
| COMMUNITY CMRC BK, MONTEREY PARK BR | MONTEREY PARK, CA | 3516119 | | | | | | 2005-06-30 | 2005-06-30 | | |
| COMMUNITY CMRC BK, OCEANSIDE BR | OCEANSIDE, CA | 577865 | | | | | | 2002-07-31 | 1980-09-01 | | |
| COMMUNITY CMRC BK, OLYMPIC BR | LOS ANGELES, CA | 1369049 | | | | | | 2002-07-31 | 1985-04-01 | | |
| COMMUNITY CMRC BK, WOODLAND HILLS BR | WOODLAND HILLS, CA | 392862 | | | | | | 2002-07-31 | 1979-11-01 | | |
| EASTERN INTL BK | LOS ANGELES, CA | 206772 | 207 | NMB | | 20 | | 1990-06-29 | 1985-02-27 | \$126,124 | \$109,067 |
| EASTERN INTL BK, LOS ANGELES BR | ALHAMBRA, CA | 1462445 | | | | | | 1990-06-29 | 1990-06-29 | | |
| FIRST CHOICE BK | CERRITOS, CA | 3374878 | 207 | NMB | | 20 | | 2006-10-18 | 2005-08-18 | \$440,053 | \$379,692 |

ATTACHMENT E
EXHIBIT A - APPENDIX D

| | | | | | | | | | |
|--|------------------------|---------|-----|-----|--------------------|------------|------------|-----------|-----------|
| FIRST CHOICE BK , ALHAMBRA BR | ALHAMBRA, CA | 4201681 | | | | 2009-12-31 | 2009-12-31 | | |
| FIRST CHOICE BK , ROWLAND HGTS BR | ROWLAND HEIGHTS, CA | 4455505 | | | | 2012-09-18 | 2012-09-18 | | |
| FIRST GEN BK | ROWLAND HEIGHTS, CA | 3386264 | 207 | NMB | | 2009-03-12 | 2005-10-13 | \$519,558 | \$448,125 |
| FIRST GEN BK , ARCADIA BR | ARCADIA, CA | 3628450 | | | | 2009-03-12 | 2006-06-30 | | |
| FIRST GEN BK , IRVINE BR | IRVINE, CA | 4224260 | | | | 2010-12-08 | 2010-12-08 | | |
| FIRST GEN BK , SAN GABRIEL BR | SAN GABRIEL, CA | 4363002 | | | | 2011-06-30 | 2011-06-30 | | |
| METRO UNITED BK | SAN DIEGO, CA | 1864601 | 207 | NMB | METROCORP BSHRS | 1993-07-23 | 1991-05-15 | \$486,370 | \$407,093 |
| METRO UNITED BK , IRVINE BR | IRVINE, CA | 2607878 | | | | 1997-05-28 | 1997-05-28 | | |
| METRO UNITED BK , LOS ANGELES BR | ALHAMBRA, CA | 2818599 | | | | 1999-06-01 | 1999-06-01 | | |
| METRO UNITED BK , ROWLAND HGTS BR | ROWLAND HEIGHTS, CA | 3683084 | | | | 2007-06-30 | 2007-06-30 | | |
| METRO UNITED BK , SAN DIEGO CLAIRMONT MESA BR | SAN DIEGO, CA | 3629998 | | | | 2006-06-30 | 2006-06-30 | | |
| METRO UNITED BK , SAN FRANCISCO VAN NESS BR | SAN FRANCISCO, CA | 3683093 | | | | 2007-06-30 | 2007-06-30 | | |
| METRO UNITED BK , SAN MATEO NORTHERN CA BR | SAN MATEO, CA | 3683105 | | | | 2007-06-30 | 2007-06-30 | | |
| METROPOLITAN BK | OAKLAND, CA | 534466 | 207 | NMB | MET FC | 1986-06-09 | 1983-09-01 | \$129,610 | \$111,292 |

ATTACHMENT E
EXHIBIT A - APPENDIX D

| | | | | | | | | | | | |
|---|---------------------|---------|-----|-----|----------------------|----|--|--|------------|------------|---------------------|
| METROPOLITAN BK , OAKLAND CHINATOWN BR | OAKLAND, CA | 2607823 | | | | | | | 1997-07-01 | 1997-07-01 | |
| METROPOLITAN BK , SAN FRANCISCO CA | SAN FRANCISCO, CA | 2099370 | | | | | | | 1993-09-18 | 1993-09-18 | |
| METROPOLITAN BK , SAN JOSE BR | SAN JOSE, CA | 1189014 | | | | | | | 1988-05-02 | 1988-05-02 | |
| MISSION NB | SAN FRANCISCO, CA | 519360 | 117 | NAT | MNB HC | 20 | | | 1982-02-16 | 1982-02-16 | \$174,670 \$148,113 |
| MISSION NB, BERKELEY ELMWOOD BR | BERKELEY, CA | 1451878 | | | | | | | 1990-05-19 | 1990-05-19 | |
| MISSION NB, SAN FRANCISCO MISSION ST BR | SAN FRANCISCO, CA | 3243769 | | | | | | | 2004-02-09 | 2004-02-09 | |
| NEW OMNI BK NA | ALHAMBRA, CA | 300063 | 117 | NAT | CKH CAP | 20 | | | 1980-04-11 | 1980-02-12 | \$238,361 \$166,925 |
| NEW OMNI BK NA, ROWLAND HGTS BR | ROWLAND HEIGHTS, CA | 302160 | | | | | | | 1983-04-12 | 1983-04-12 | |
| PACIFIC ALLI BK | ROSEMEAD, CA | 3546862 | 207 | NMB | | 20 | | | 2007-10-04 | 2006-12-27 | \$155,361 \$134,176 |
| PAN AMER BK | LOS ANGELES, CA | 641364 | 207 | NMB | | 10 | | | 1971-07-01 | 1971-07-01 | \$40,880 \$38,972 |
| PREMIER BUS BK | LOS ANGELES, CA | 3459346 | 207 | NMB | | 20 | | | 2006-11-15 | 2006-07-25 | \$175,085 \$135,462 |
| PROAMERICA BK | LOS ANGELES, CA | 3462074 | 207 | NMB | | 10 | | | 2007-01-11 | 2006-11-07 | \$152,926 \$124,458 |
| SAIGON NB | WESTMINSTER, CA | 3394380 | 117 | NAT | | 20 | | | 2006-10-10 | 2005-11-30 | \$49,905 \$36,918 |
| NATIVE AMER BK NA | DENVER, CO | 664653 | 117 | NAT | NATIVE AMER BC CO | 30 | | | 1987-07-27 | 1987-07-27 | \$59,784 \$52,871 |
| NATIVE AMER BK NA, BROWNING BR | BROWNING, MT | 3591769 | | | | | | | 2007-04-02 | 2007-04-02 | |
| PREMIER BK | DENVER, CO | 2380470 | 217 | SMB | PB FNCL GRP | 20 | | | 2001-01-04 | 1995-12-29 | \$42,569 \$40,048 |

- THIS PAGE INTENTIONALLY LEFT BLANK -

ATTACHMENT E EXHIBIT A - APPENDIX E

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT



Methodology For Calculating the Proposed DBE Goal for Federal Fiscal Year 2015 – Federal Fiscal Year 2017 (FFY15-FFY17)

Santa Cruz Metropolitan Transit District (Santa Cruz METRO) is proposing an overall Disadvantaged Business Enterprise (DBE) goal of 1.5% for U.S. Department of Transportation, Federal Transit Administration (FTA) assisted contracts in federal fiscal years 2015 – 2017 (FFY15-FFY17). The FTA requires that any recipient of more than \$250,000 in FTA funds annually must have a DBE goal. Santa Cruz METRO will receive approximately \$5.7 million in FTA funding in FFY15 and will set a DBE goal as it has for more than 20 years.

The FTA shifted from a requirement to calculate annually the DBE goal to calculating it every three years. Santa Cruz METRO complied with the requirement to calculate an annual goal through FFY11 and produced a three-year goal beginning with the FFY12-FFY14 period. This year, Santa Cruz METRO is setting the goal for the three-year FFY15-FFY17 period and will submit it to the FTA by 8/1/14. Because the budgets beyond FY15 are uncertain at this time due to changes in federal funding support when the current surface transportation act expires on 10/1/14 and because of changes in Santa Cruz METRO's contracting opportunities year-to-year, staff calculated the three-year DBE goal based upon the known FY15 budget. Santa Cruz METRO will adjust its DBE goal, if necessary, when future budgets are known if the contracting opportunities change.

Step 1: Base Goal

The Code of Federal Regulations, Title 49 Section 26 (49 CFR 26) describes several methods to calculate a DBE goal and also allows the recipient to develop its own rational, justifiable methodology. The method staff chose to obtain a goal for FFY15-FFY17 goal was to begin with the goal set in the last three-year period, FFY12-FFY14, and adjust it based upon differences in contracting opportunities between the two base years, FY12 versus FY15. This approach assumes that changes in contracting opportunities between FFY12 and FFY15 have a greater impact on the anticipated level of DBE participation than do changes in the proportion of DBE vendors relative to all vendors in the marketplace. Staff used the FFY12-FFY14 goal of 1.54% for the first step in arriving at an anticipated rate of participation for the final goal.

Step 2: Adjustments

In order to adjust the goal to accommodate budgetary changes, staff compared the contracting opportunities in the FY12 with those in the FY15 budget. The FY15 budget has less contracting and subcontract opportunities in construction because the contracting for the Judy K. Souza Operating Facility was a factor in the FY12. For FY15, while there is major

ATTACHMENT E

EXHIBIT A - APPENDIX E

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

funding for the Operating Facility, there are no longer contracting opportunities. This lack of large construction contracting opportunities justified rounding the FY12 goal down to 1.5% from its previous goal of 1.54%.

To further adjust Santa Cruz METRO's preliminary DBE goal, staff looked at the DBE goals from other agencies in the surrounding areas, especially the goal of Monterey-Salinas Transit (MST) because it is also a small transit operator in the same market area. The City of Santa Cruz has a goal of 2.85% on one road construction project, but non-transit entities are not required to set a goal for remaining procurements.

Santa Cruz County has a goal of 2% on the Calabasas Road construction contract and 3% on the Empire Grade construction contract. Monterey County has a goal of 6.05% on the Salinas Road construction project. Road projects tend to have subcontractors in different fields, giving more contracting opportunities than smaller procurements for goods and services typical on Santa Cruz METRO's contracts. Keep in mind that individual construction contracts vary widely in cost, scope and complexity, which explains the variation from 2% to 6.05% for contract goals in the same market area.

A comparison with MST's goal is even more relevant because it is also a small transit operator in the same market area as Santa Cruz METRO. MST set a goal of 2.5% for the FFY12-FFY14 period, and its budget and contracting opportunities merit further consideration in order to understand the difference. In contrast to Santa Cruz METRO, MST contracts out its entire paratransit operation, which provides both mandatory ADA complementary transit service and demand response service in areas with low ridership. MST has a paratransit department cost of \$5.8 in a total annual budget of \$30.3 million; Santa Cruz METRO's ParaCruz department cost is \$5.4 million in a budget of \$45.3 million. Obviously, paratransit cost is a much higher percentage of the entire budget. More importantly in this comparison of the paratransit portion of the budget, however, MST contracts its entire paratransit service to outside vendors; METRO operates more than 95% of its paratransit service in-house. This portion of METRO's budget has no contract opportunities; METRO therefore has only \$250,000 worth of contract transportation versus \$5.8 million at MST, a significant difference!

In addition to the contrast between paratransit contracting, MST also contracts its facilities maintenance while METRO's Facilities Maintenance Department performs the equivalent service in-house and contracts only supplies. In these area again, MST contracts a higher portion of its budget than Santa Cruz METRO: \$880,508 versus \$224,245.

In these two areas of contract opportunities alone, paratransit service and facilities maintenance, MST contracts out 21% of its budget while METRO contracts out only 0.9% of its budget.

Another highly significant difference between MST and Santa Cruz METRO is in the revenue side of the equation. Only federal revenue is considered in setting the DBE goal; state revenue, which funds security projects and MetroBase construction, is not considered. On the revenue side, MST has a much higher proportion of federal funds than Santa Cruz

ATTACHMENT E

EXHIBIT A - APPENDIX E

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

METRO factoring into the DBE calculation: MST's federal share of total revenue is 32%; METRO's is only 11%. The contrast in federal revenue as a proportion of the total budget between MST and Santa Cruz METRO justifies setting the goal lower than MST's 2.5%

Yet another comparison justifies Santa Cruz METRO's proposed goal of 1.5%: Santa Cruz METRO set its previous five DBE goals in a range from 1.32% to 1.73%. With the adjusted rate hitting the mid-point between five preceding goals, the proposed goal of 1.5% is reasonable and rational for FFY15-FFY17.

The Proposed Goal

Given the three factors considered, Santa Cruz METRO's goal falling within the range of most highway construction contracts in the market area, 1.5% versus 2% for most highway contracts and 6.05% for a single contract, the significantly *disproportionate* budgetary factors between Santa Cruz METRO and MST and the internal comparison with Santa Cruz METRO's own goals, Santa Cruz METRO's DBE goal of 1.5% is justified. With these considerations, **Santa Cruz METRO proposes a goal of 1.5% DBE participation for the FFY15-FFY17 period.**

If approved by the Board of Directors, Santa Cruz METRO will establish a DBE goal of 1.5% for FFY15-FFY17. Santa Cruz METRO's proposed DBE goal statement (Attachments B and C) and the supporting methodology (Attachment A) are available for public inspection May 13, 2014 through August 7, 2014 at Santa Cruz METRO's Administrative Offices, 110 Vernon Street, Santa Cruz, CA 95060, on METRO's website www.scmttd.com, at the Santa Cruz Central Branch Library, 224 Church Street, Santa Cruz, CA 95060 and at the Watsonville Main Library, 275 Main Street, Watsonville, CA 95076.

- THIS PAGE INTENTIONALLY LEFT BLANK -

ATTACHMENT E EXHIBIT A - APPENDIX F

SANTA CRUZ METROPOLITAN TRANSIT DISTRICT



California Unified Certification Program (CUCP) for Disadvantaged Business Enterprises (DBEs)

The California Unified Certification Program (CUCP) is charged with the responsibility of certifying firms and compiling and maintaining the Database of certified DBEs for U.S. Department of Transportation (DOT) grantees in California, pursuant to *49 CFR Part 26*. The database is intended to expand the use of DBE firms by maintaining complete and current information on those businesses and the products and services they can provide to all grantees of California.

If you wish to be considered for DBE Certification, your business must meet the following general guidelines:

- The firm must be at least 51% owned by one or more socially and economically disadvantaged individuals.
- The firm must be an independent business, and one or more of the socially and economically disadvantaged owners must control its management and daily operations.
- Only existing for-profit “Small Business Concerns,” as defined by the Small Business Act and Small Business Administration (SBA) regulations may be certified. DBE applicants are first subject to the applicable small business size standards of the SBA. Second, the average annual gross receipts for the firm (including its affiliates) over the previous three fiscal years must not exceed U.S. DOT’s cap of \$22.41 million.
- The Personal Net Worth of each socially and economically disadvantaged owner must not exceed \$1.32 million, excluding the individual’s ownership interest in the applicant firm and the equity in his/her primary residence.

A socially and economically disadvantaged individual means any individual who is a citizen of the United States (or lawfully admitted permanent resident) and who is a member of the following groups: Black American, Hispanic American, Native American, Asian-Pacific American, Subcontinent Asian American, or Women, or

Any individual found to be socially and economically disadvantaged on a case-by-case basis by a certifying agency pursuant to the standards of the U.S. DOT 49CFR Part 26.

- THIS PAGE INTENTIONALLY LEFT BLANK -



STRUCTURAL DEFICIT WORKSHOP

I of VIII

Define the Challenges: Part I of II

Santa Cruz METRO Board of Directors

August 8, 2014

Alex Clifford, CEO

Overview of Today's Presentation

- Definition of a Structural Deficit
- Overview of Major Contributing Factors
 - Identifying Structural Deficit
- How Bad Is the Structural Deficit...
How Bad Can the Structural Deficit Get
 - Cash Flow
 - Revenue Discussion
 - Surface Transportation Plan
 - Grant Pipeline

Definition of a Structural Deficit:

-Recurring Expenses Exceed Recurring Revenues

Overview of Major Contributing Factors

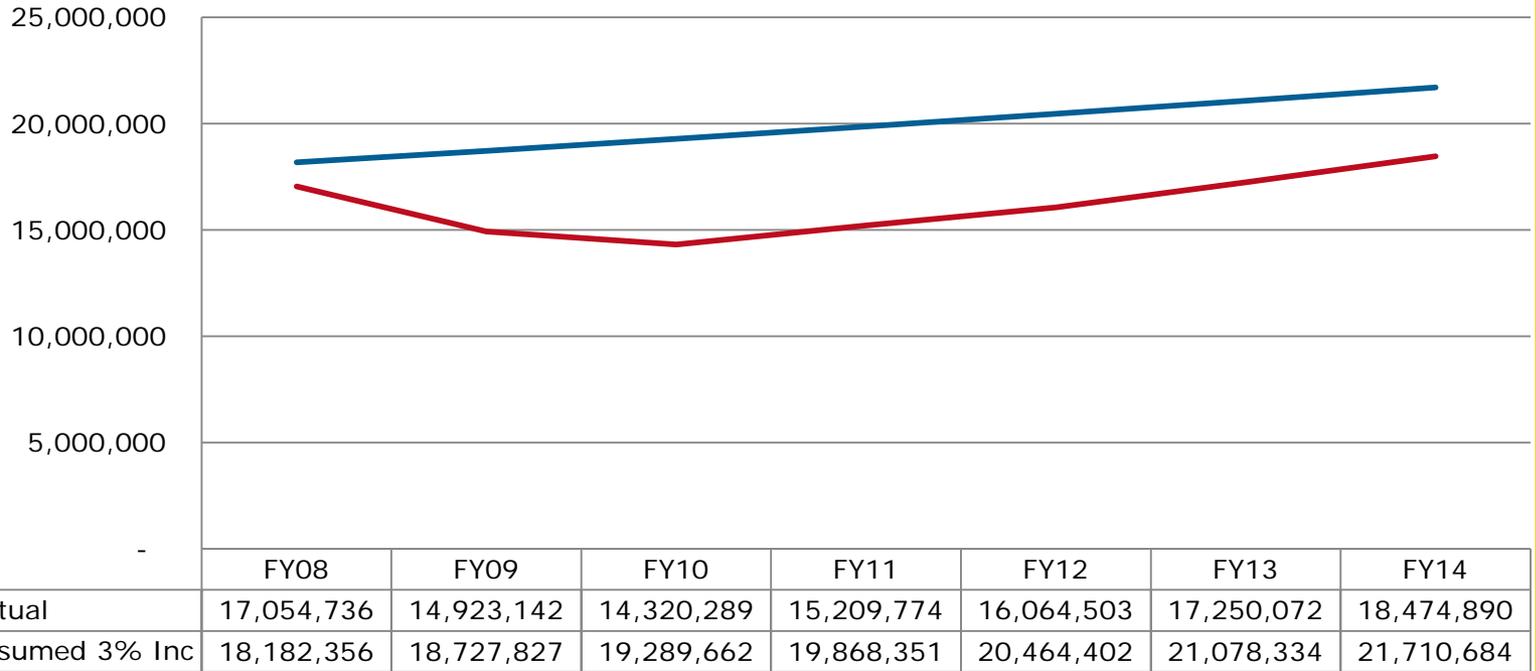
- Personnel Expenses
- Increased Cost of Goods & Services
- Recurring Revenues not Keeping Pace with Recurring Expenses

Identifying Structural Deficit

Estimated Sales Tax Loss (FY08 – FY14)

REVISED

Actual Sales Tax Received vs. Assumed 3% Increase

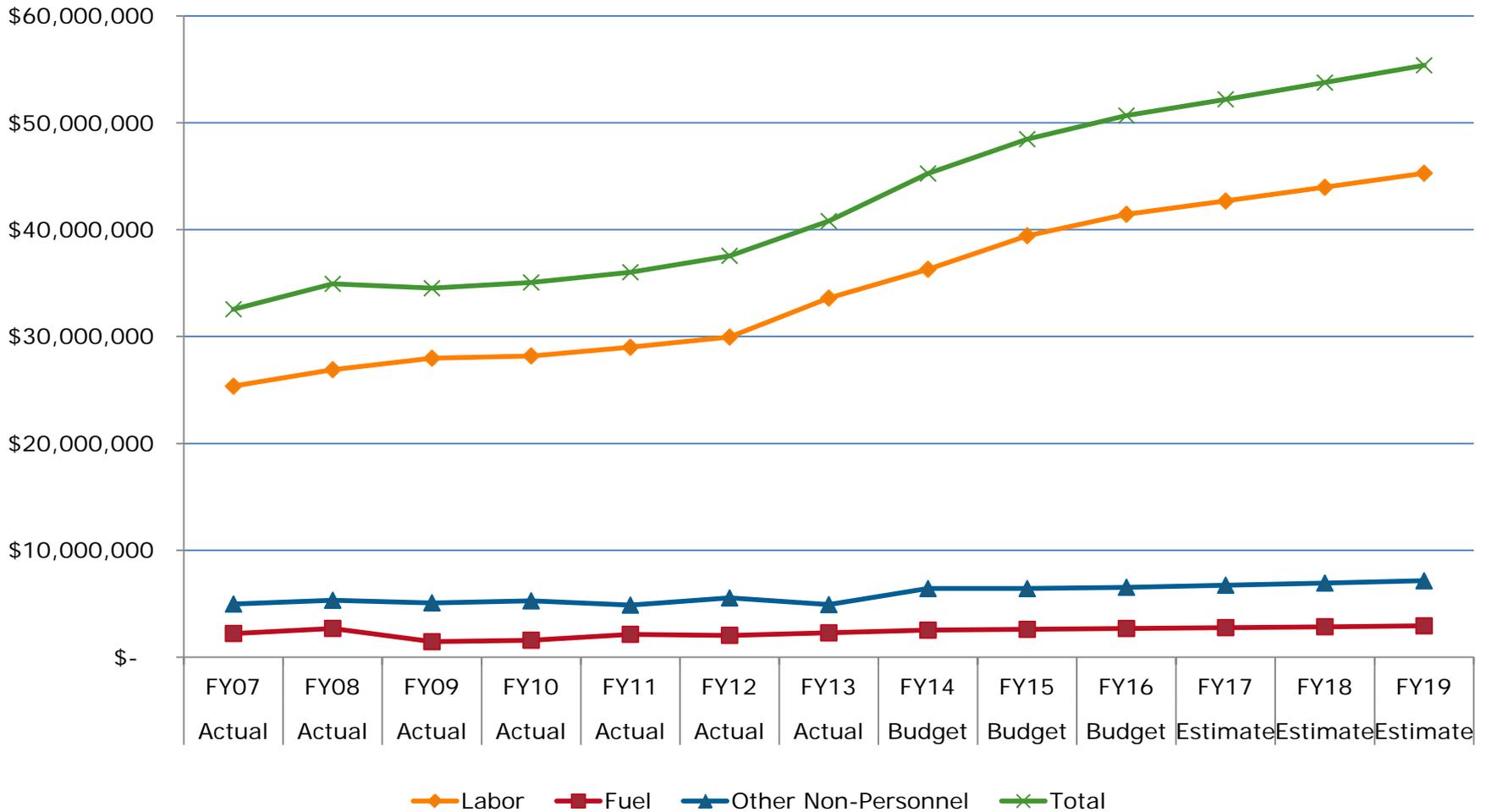


FY08 – FY14 Assumed Total Loss - \$26M

FY08 – FY14 Non-Recurring Revenue Used – \$21.8M
- Reserves, STIC, STA



Major Budget Drivers



How Did We Get Here... and Where We Are Going

- History of Contributing Factors
 - Prolonged Recession
 - Continued Higher Rate of Local Unemployment
 - Contributing to Sales Tax decline (FY08 – FY10)
 - Marginal Sales Tax Growth (FY11 – Current FY)
 - Growth in Revenues not Keeping Up with Expenses

What Santa Cruz METRO Has Done FY07 – Current

- Reduction of Service
- Fare Restructuring
- Reduced Budget Expenditures by Department
- Delay in Filling Funded Personnel Vacancies
- Increased Use of Capital Eligible Funds in the Operating Budget such as:
 - STA
 - STIC
 - Reserves
 - Carryover
 - ARRA

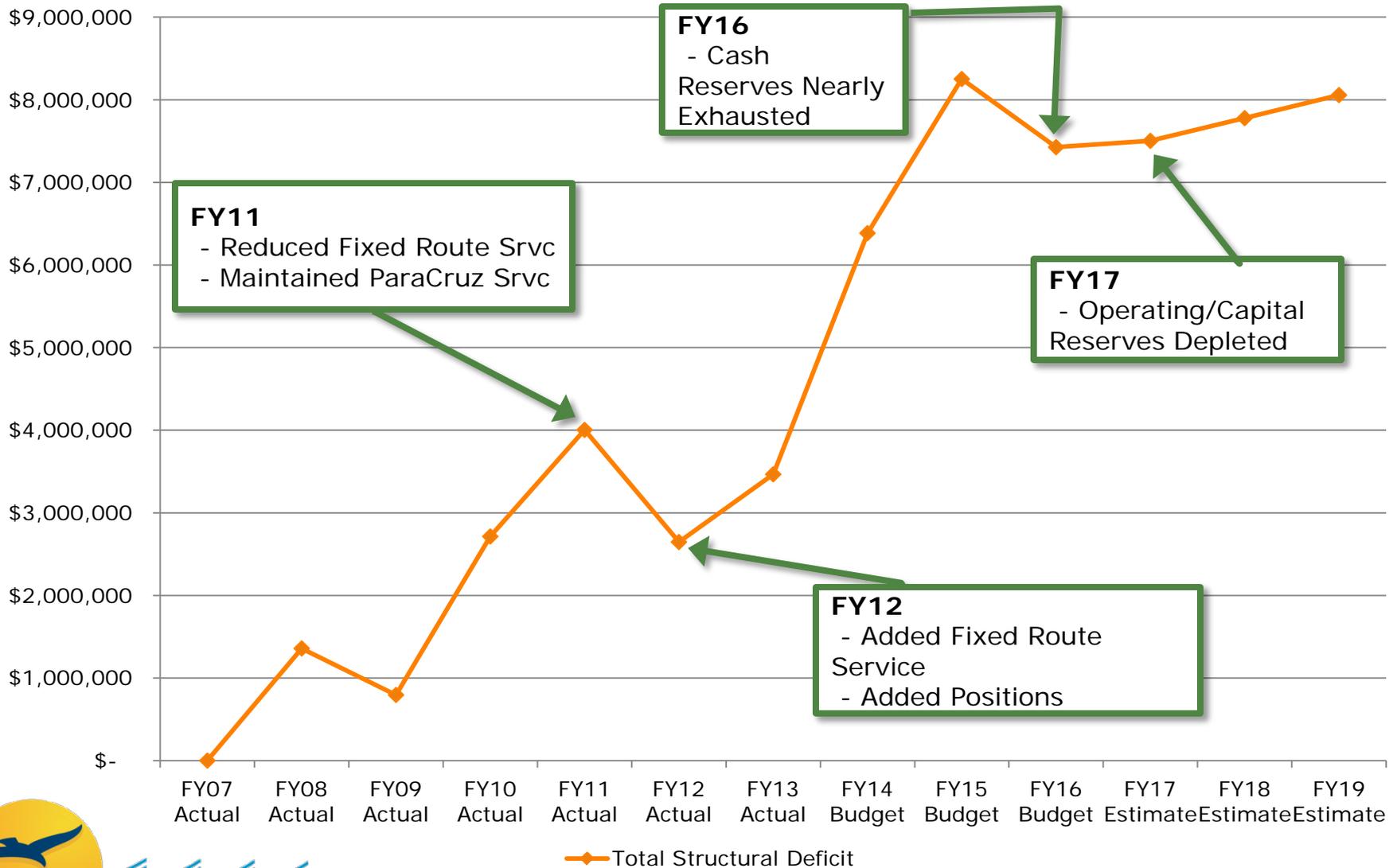
NOTE: No reduction in Paratransit service over this period

**How Bad is
the Structural Deficit ...**

**How Bad Can
the Structural Deficit Get?**

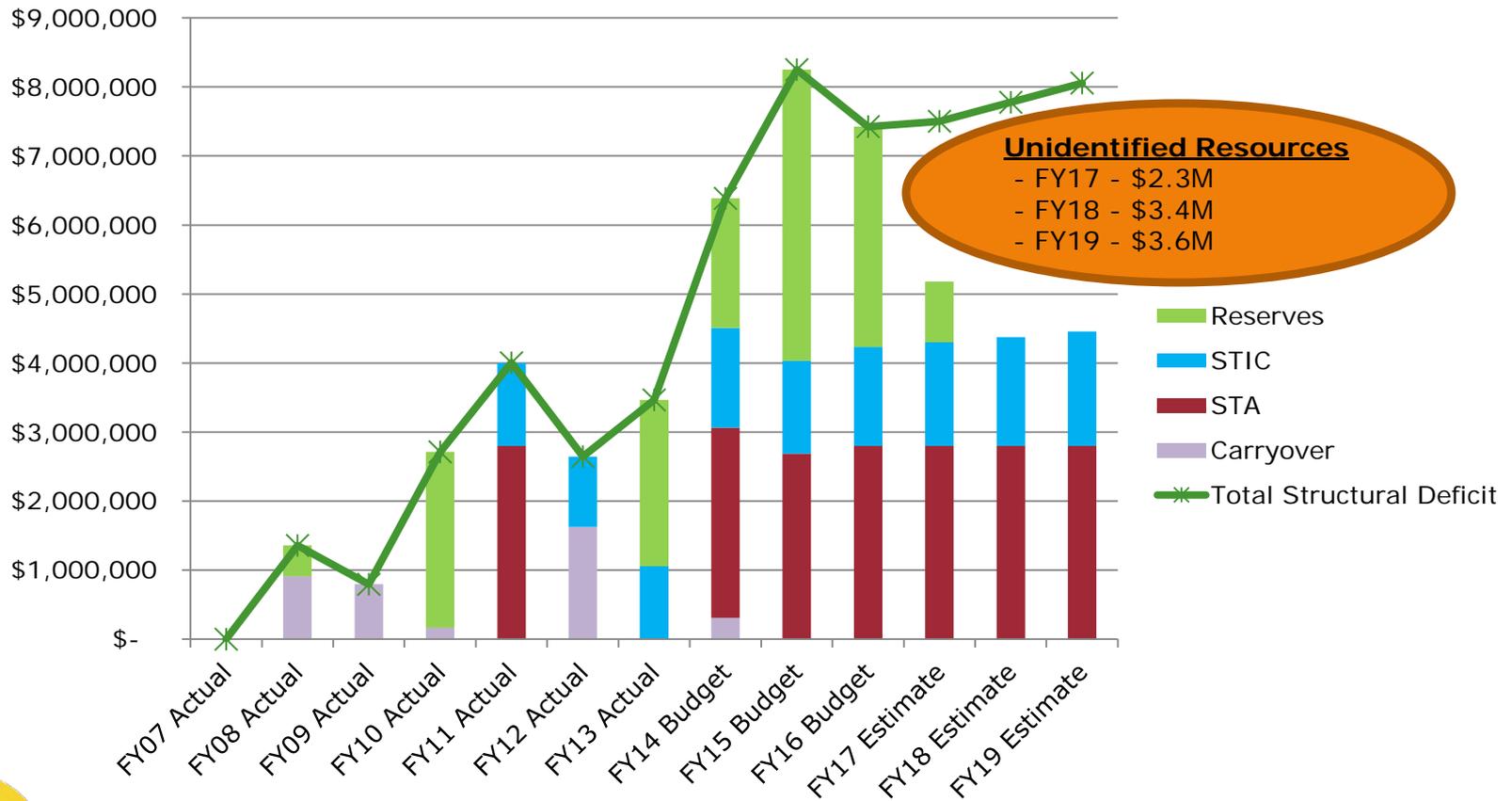
Structural Deficit Components

(STA, STIC, Carryover, Reserves)



Capital Eligible Funds

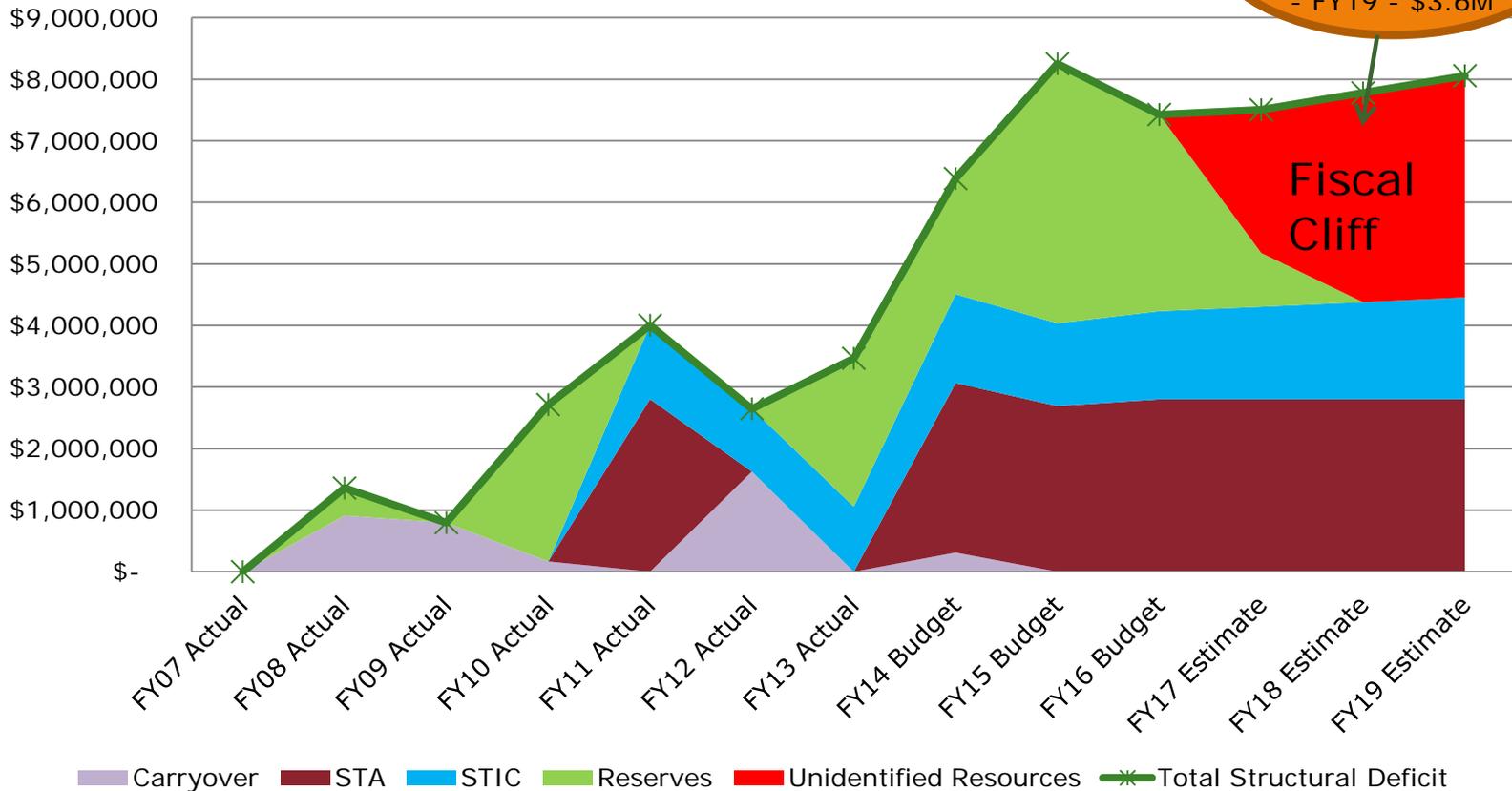
Used to Backfill the Structural Deficit



Capital Eligible Funds

Used to Backfill the Structural Deficit

Unidentified Resources
 - FY17 - \$2.3M
 - FY18 - \$3.4M
 - FY19 - \$3.6M



Operating Reserves as of 06/30/13



Target: \$662K



Target: \$3.0M



Target: \$6.1M



Target: \$3.3M



Estimated Operating Reserves as of 06/30/14



Target: \$662K



Target: \$3.0M



Target: \$6.1M



Target: \$3.3M



Estimated Operating Reserves as of 06/30/15

Based on Santa Cruz METRO Board adoption of a 2 year budget (FY15 & FY16)



Target: \$662K



Target: \$3.0M



Target: \$6.1M



Target: \$3.3M



Estimated Operating Reserves as of 06/30/16

Based on Santa Cruz METRO Board adoption of a 2 year budget (FY15 & FY16)



Target: \$662K



Target: \$3.0M



Target: \$6.1M



Target: \$3.3M



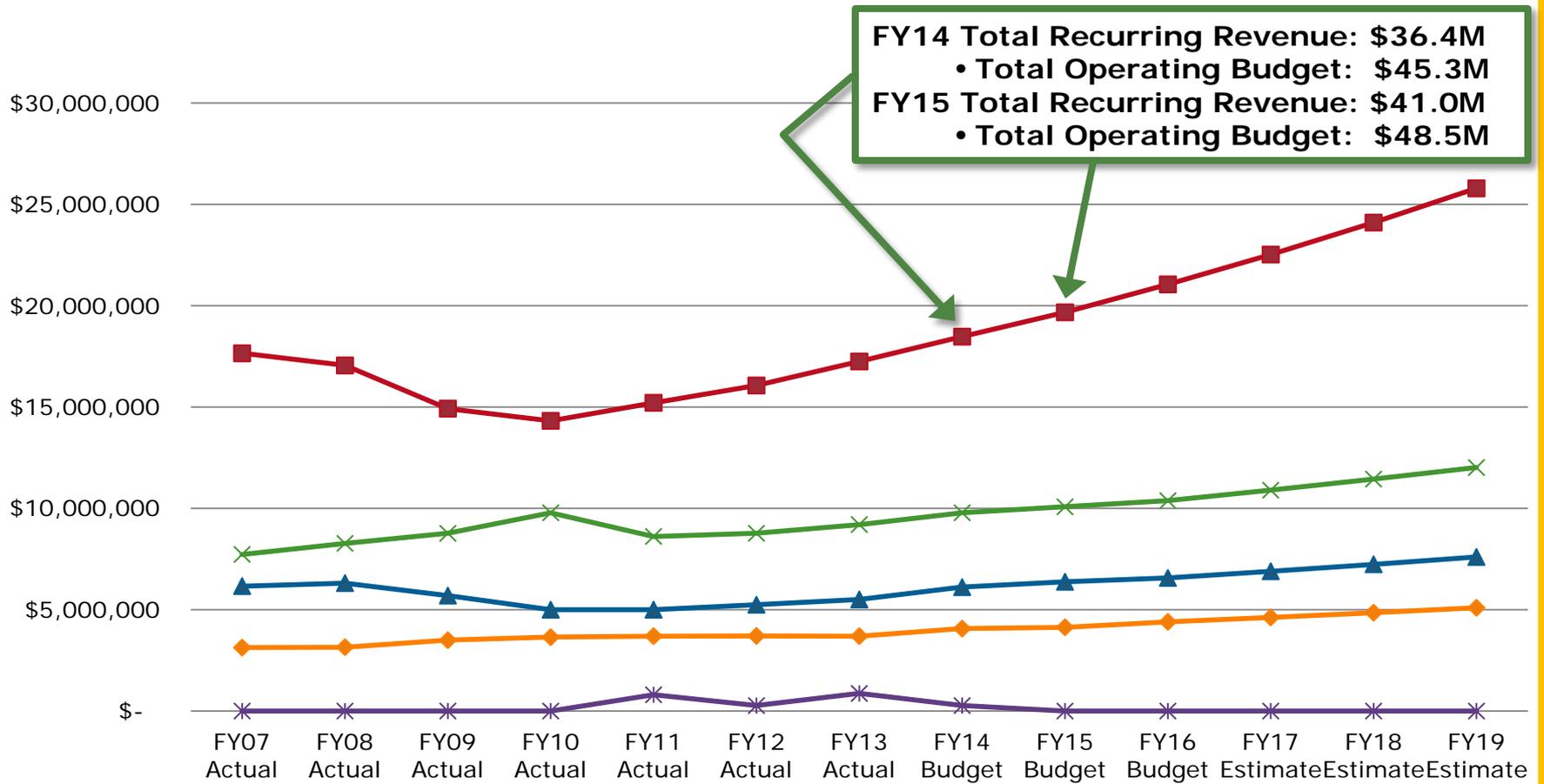
Cash Flow

Reimbursement Delays

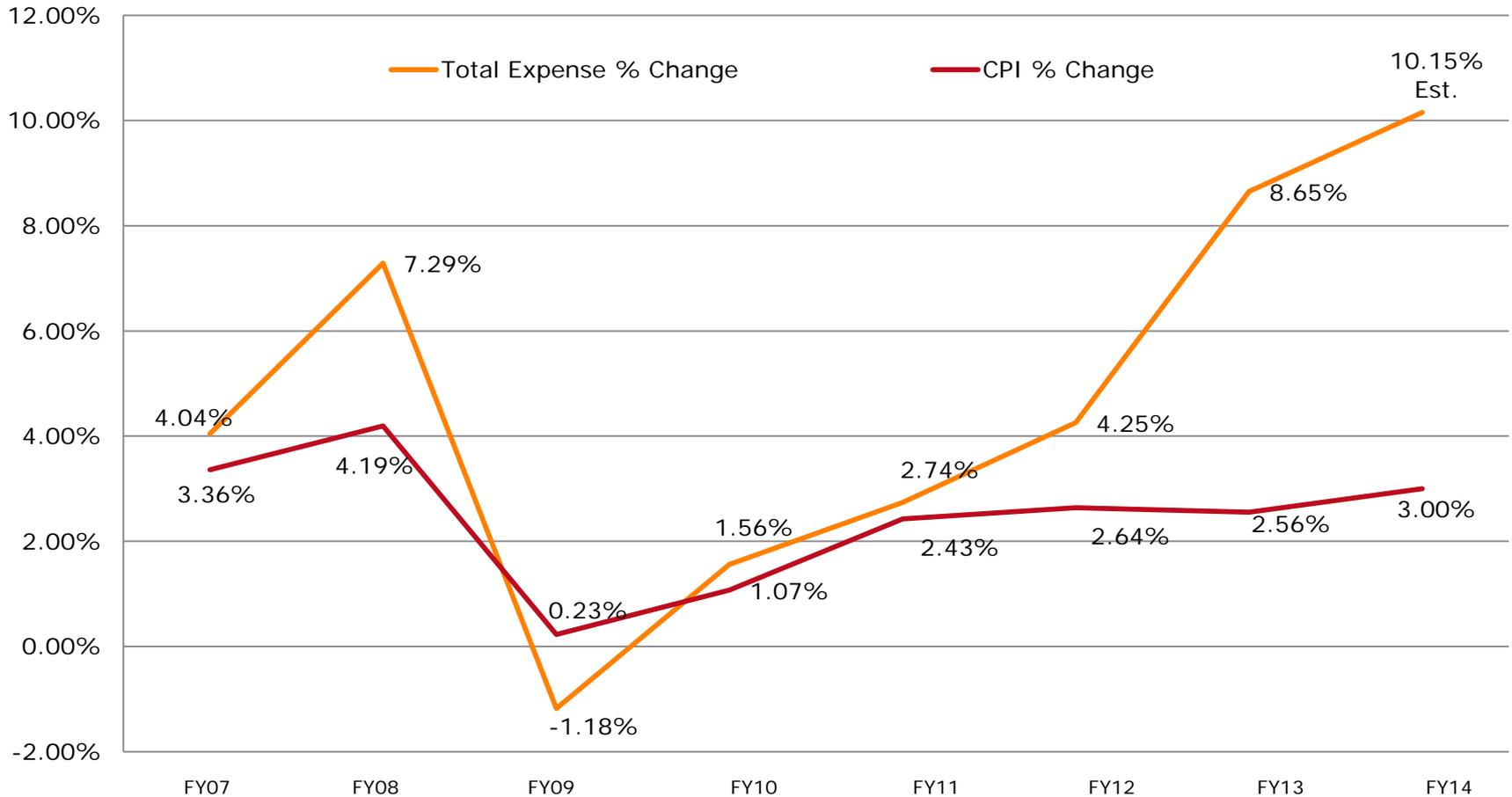
| Grant | Date Spent | Date Reimbursed | Source* |
|-------------------------------|------------|----------------------|---------------------|
| 1. FY13 FTA 5307 Operating | 6/30/13 | 12/24/13 | FTA \$5,511,909 |
| 2. FY14 FTA 5307 Operating | 6/30/14 | <i>est.</i> 12/31/14 | FTA \$5,478,097 |
| 3. FY12 SLPP Capital | 3/25/14 | 5/12/14 | Caltrans \$ 522,294 |
| 4. FY14 FTA 5311 | 6/30/14 | 12/30/14 | Caltrans \$ 212,267 |

* Capital Funded Projects require Santa Cruz METRO to advance the funds to pay invoices, and be reimbursed at a later date.

Traditional Recurring Operating Revenue Components



Total Expenses % Change vs. CPI % Change



Consumer Price Index Source: Pacific Cities and US City Average

- All Urban Consumers (CPI-U)
- San Francisco-Oakland-San Jose (June of every year)

Revenue Discussion

- New Revenues
 - ✓ Cap & Trade
- Potential Revenue Growth
 - ✓ STIC
 - ✓ Sales Tax
 - ✓ TDA

Surface Transportation Plan

- MAP-21

SAFETEA-LU to MAP-21 (Moving Ahead for Progress in the 21st Century Act)

Authorization Extended through May 2015

| <u>Program</u> | SAFETEA-LU | | CR * | CR * | CR * | ----MAP-21---- | | <i>CR * est.</i> |
|----------------|-------------------|---------------|---------------|---------------|----------------|-----------------------|---------------|------------------|
| | <u>FY08</u> | <u>FY09</u> | <u>FY10</u> | <u>FY11</u> | <u>FY12</u> | <u>FY13</u> | <u>FY14</u> | <u>FY15</u> |
| 5307 Ops. | \$3.5M | \$3.6M | \$4.9M | \$4.7M | \$4.7M | \$5.5M | \$5.5M | \$5.5M ? |
| 5309 Cap. | \$490K | - | - | \$2.8M | \$5.8M | \$454K | \$458K | \$462K ? |
| 5311 Ops. | \$162k | \$170K | \$157K | \$156K | \$156K | \$208K | \$212K | \$214K ? |
| Total | \$4.2M | \$3.8M | \$5.1M | \$7.7M | \$10.7M | \$6.2M | \$6.2M | \$6.2M |

* - CR = Continuing Resolution

Grant Pipeline

- Active Grants Funded with Reserves
- Capital Projects Funded with Reserves
- Anticipated Grants in FY15 & FY16

Active FTA Capital Grants Received FY08 – FY13

| Grant | Amount | Local Match * |
|---------------------------------------|---------------|---------------|
| FY13 FTA 5339 Capital (Vehicle Repl.) | \$ 454,116 | \$ 112,981 |
| FY12 FTA 5309 Capital (SGR#2) | \$ 2,814,538 | \$ 676,479 |
| FY08 FTA 5309 Capital (Pacific Sta.) | \$ 490,000 | \$ 122,500 |
| Total - | \$3.8M | \$911K |

* Local Match \$'s must come from the Operating/Capital Reserves Bucket and/or the Capital Restricted Funding Bucket.

Capital Projects Funded with Reserves

(No Grant Funding)

| | Amount * |
|-------------------------|----------------|
| FY14 – Capital Projects | \$ 633K |
| FY15 – Capital Projects | \$ 86K |
| Total - | \$ 719K |

* Amount \$'s must come from the Operating/Capital Reserves Bucket and/or the Capital Restricted Funding Bucket.

Anticipated Grants for FY15 & FY16

| Grant | Amount | Local Match * |
|--|---------------|---------------|
| 2014 FTA 5309 Ladders of Opportunity (Bus Replacement - 5) - Application Pending | \$ 2,460,750 | \$ 434,250 |
| 2014 FTA 5309 Ladders of Opportunity (Farebox, AVL, APC) - Application Pending | \$ 3,005,622 | \$ 751,406 |
| FY14 FTA 5339 Capital (Vehicle Repl.) | \$ 454,116 | \$ 112,981 |
| FY15 FTA 5304 Planning (Intern) | \$ 50,000 | \$ 12,500 |
| Total - | \$6.0M | \$1.3M |

* Local Match \$'s must come from the Operating/Capital Reserves Bucket and/or the Capital Restricted Funding Bucket.

Questions