MONTEREY-SALINAS TRANSIT

JOINT POWERS AGENCY MEMBERS:
City of Carmel-by-the-Sea • City of Del Rey Oaks • City of Marina • City of Monterey • City of Pacific Grove
City of Salinas • City of Seaside • County of Monterey

Board of Directors Regular Meeting

**Monday, January 8, 2007**

MST Conference Room
One Ryan Ranch Road, Monterey

10:00 a.m.

TRANSPORTATION: Ride the Peninsula DART to MST Office

**1. CALL TO ORDER**

1-1. Roll call.

1-2. Pledge of Allegiance.

**2. CONSENT AGENDA**

2-1. Review highlights of Agenda. (Carl Sedoryk)

*These items will be approved by a single motion. Anyone may request that an item be discussed and considered separately.*

2-2. Adopt Resolution 2007-12 recognizing Marc Friddle, Coach Operator, as Employee of the Month for January 2007. (Robert Weber) (p. 1)

2-3. Adopt Resolution 2007-13 recognizing Kenneth Walker, Coach Operator, as Employee of the Year for 2006. (Carl Sedoryk) (p. 3)

2-4. Disposal of property left aboard buses. (Danny Avina) (p. 5)

2-5. Minutes of the regular meeting of December 11, 2006. (Sonia Bannister) (p. 7)

2-6. Financial Report – December 2006. (Dave Sobotka) (p. 13)

2-7. Adopt amendment to the employment agreement between Monterey-Salinas Transit and Carl G. Sedoryk. (Lyn Owens) (p. 29)

2-8. Adopt Resolution 2007-14 authorizing investment of monies in the Local Agency Investment Fund. (Carl Sedoryk) (p. 33)

2-9. Approve FY 2006 budget transfers. (Dave Sobotka) (p. 35)

2-10. Accept audited financial reports for FY 2006. (Dave Sobotka) (p. 41)

2-11. Receive Monterey Transit Plaza Relocation Traffic Assessment final report. (Hunter Harvath) (p. 107)

End of Consent Agenda

## 3. SPECIAL PRESENTATIONS

3-1. January Employee of the Month – Marc Friddle, Coach Operator. (Robert Weber)

3-2. Employee of the Year – Kenneth Walker, Coach Operator. (Carl Sedoryk)

3-3. General Manager/CEO Excellence Award Winners – Hunter Harvath, Director of Administration and Janet Madler, Fleet Manager. (Carl Sedoryk)

## 4. PUBLIC COMMENTS ON MATTERS NOT ON THE AGENDA

*Members of the public may address the Board on any matter related to the jurisdiction of MST but not on the agenda. There is a time limit of not more than three minutes for each speaker. The Board will not take action or respond immediately to any public comments presented, but may choose to follow-up at a later time, either individually, through staff, or on a subsequent agenda.*

## 5. COMMITTEE REPORTS

*No action required unless specifically noted.*

5-1. Facilities Committee Minutes – December 11, 2006. (Michael Hernandez) (p. 123)

## 6. BIDS/PROPOSALS

## 7. PUBLIC HEARINGS

## 8. UNFINISHED BUSINESS

8-1. Receive report on planning activities related to facilitated Board Workshop for review of organizational goals and development of GM/CEO Performance Goals. (Carl Sedoryk) (p. 127)

8-2. Receive report from Bay Area Economics on the preliminary findings from the Land Utilization Plan and provide direction to staff. (Hunter Harvath) (p. 129)

**9. NEW BUSINESS**

9-1. Receive update on proposal for Smart Card fare collection demonstration project and provide direction. (Carl Sedoryk) (p. 149)

9-2. Transit 101: Presentation on Bus Rapid Transit (BRT). (Mary Archer) (p. 151)

**10. REPORTS & INFORMATION ITEMS**

*The Board will receive and file these reports, which do not require any action by the Board.*

10-1. General Manager/CEO Report. (p. 153)

10-2. Washington D. C. Lobbyist report – December 22, 2006. (p. 181)

10-3. Sacramento Lobbyist report – December 27, 2006. (p. 183)

10-4. Quarterly Performance Results Report – 1st Quarter FY 2007. (p. 185)

10-5. Staff trip reports. (p. 207)

10-6. Passenger Transport article - *Emissions Reductions and fuel savings spur changes in bus products*. (p. 220)

**11. COMMENTS BY BOARD MEMBERS**

11-1. Reports on meetings attended by Board members at MST expense (AB1234).

**12. ANNOUNCEMENTS**

**13. ADJOURN**

***NEXT MEETING DATE:*** February 12, 2007 in MST Conference Room.

***NEXT AGENDA DEADLINE:*** January 31, 2007

*Upon request, MST will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, phone number and brief description of the requested materials and preferred alternative format or auxiliary aid or service at least 5 days before the meeting. Requests should be sent to Sonia Bannister, MST, One Ryan Ranch Road, Monterey, CA 93940 or sbannister@mst.org*

# MARC FRIDDLE
# JANUARY 2007
# EMPLOYEE OF THE MONTH

WHEREAS, each month Monterey-Salinas Transit recognizes an outstanding employee as Employee of the Month; and

WHEREAS, the Employee of the Month is recognized for their positive contribution to MST and to the entire community; and

WHEREAS, Marc Friddle began his career with Monterey-Salinas Transit in November of 2002 as a Coach Operator. Marc has received three consecutive safe driving awards as well as Distinguished Line Instructor awards.

WHEREAS, on December 11th, 2006, while on duty, Marc Friddle retrieved a wallet, which had been left in a parking lot. The wallet contained a large sum of cash. He took it upon himself to identify and contact the owner of the wallet to advise them that he had found it. The owner was ecstatic that her wallet was returned and very thankful for his actions.

WHEREAS, Marc Friddle is highly respected and admired by his peers and throughout the transit community. He is being recognized for his prompt response to retrieve the wallet and contact the owner as well as his good decision making skills. His dedication to his job and his interest in the safety and security of co-workers and customers is a statement of his professionalism.

THEREFORE BE IT RESOLVED that the Board of Directors of Monterey-Salinas Transit recognizes Marc Friddle as Employee of the Month for January 2007; and

BE IT FURTHER RESOLVED that Marc Friddle is to be congratulated for his excellent work at Monterey-Salinas Transit.

THE BOARD OF DIRECTORS OF MONTEREY-SALINAS TRANSIT PASSED AND ADOPTED RESOLUTION 2007-12 this 8th day of January 2007 by the following vote:

AYES: Anderson, Armenta, Clark, Cohen, Cunningham, Mancini, Russell, Wilmot

NOES: None

ABSENT: None

Fernando Armenta
Chairman

Carl Sedoryk
Secretary

# KENNETH WALKER
# EMPLOYEE OF THE YEAR
# 2006

WHEREAS, each month Monterey-Salinas Transit recognizes an outstanding employee as Employee of the Month; and

WHEREAS, the Employee of the Year is recognized for their positive contribution to MST and to the entire community; and

WHEREAS, Kenneth Walker began his career at MST as a Coach Operator in September of 1997. Since then, he has continued to demonstrate exceptional skills and dedication while performing his duties. Kenneth was selected as Employee of the Month for July 2006, in recognition of his outstanding performance in the delivery of quality public transportation; and

WHEREAS, in November of 2005, Kenneth Walker was selected as a DOT (Department of Transportation) trainer and was instrumental in the instruction of several newly hired Coach Operators throughout the past year; and

WHEREAS, in 2006, Kenneth received his ninth (9$^{th}$), consecutive safe driving award while maintaining an average on time schedule adherence of 88% for 2006, which exceeds MST's system-wide goal of 87%. Additionally, in 2006, Kenneth had outstanding overall attendance and continued to provide excellent customer service.

THEREFORE BE IT RESOLVED that the Board of Directors of Monterey-Salinas Transit recognizes Kenneth Walker as Employee of the Year for 2006; and

BE IT FURTHER RESOLVED that Kenneth Walker is to be congratulated for his excellent work at Monterey-Salinas Transit.

THE BOARD OF DIRECTORS OF MONTEREY-SALINAS TRANSIT PASSED AND ADOPTED RESOLUTION 2007-13 this 8th day of January 2007 by the following vote:

| | |
|---|---|
| AYES: | Anderson, Armenta, Clark, Cohen, Cunningham, Mancini, Russell, Wilmot |
| NOES: | None |
| ABSENT: | None |

Fernando Armenta
Chairman

Carl Sedoryk
Secretary

Agenda # **2-4**
January 8, 2007 Meeting

---

To: Board of Directors

From: Danny Avina, Customer Service Supervisor

Subject: Disposal of unclaimed property left on bus

St. Vincent De Paul (Seaside)

| | |
|---|---|
| 4 eyeglasses | 1 cell phone case |
| 2 eyeglass cases | 1 talking watch |
| 2 hats | 2 back braces |
| 2 jackets | 1 baby blanket |
| 1 neck tie | 1 shirt |

To be disposed

| | |
|---|---|
| 1 November pass | 2 toiletry items |
| 1 wallet | 1 notebook |
| 1 coffee mug | 1 check book |
| 1 day planner | |

To be retained

$0.56 forwarded to Accounting for deposit.

MST makes an attempt to contact the owners of Lost and Found items. If the items are unclaimed after 30 days, they are added to the above list.

PREPARED BY: Danny Avina REVIEWED BY: Carl Sedoryk

BOARD OF DIRECTORS
REGULAR MEETING
MONTEREY-SALINAS TRANSIT
December 11, 2006

## 1. CALL TO ORDER

Chairman Armenta called the meeting to order at 10:00 a.m. in the Monterey-Salinas Transit Conference Room.

| | | |
|---|---|---|
| Present: | Michael Cunningham | City of Carmel-By-The-Sea |
| | Kristin Clark | City of Del Rey Oaks |
| | Gary Wilmot | City of Marina |
| | Carl Anderson | City of Monterey |
| | Vicki Stilwell | City of Pacific Grove |
| | Robert Russell | City of Salinas |
| | Thomas Mancini | City of Seaside |
| | Fernando Armenta | County of Monterey |
| | Maria Orozco | City of Gonzales (Ex-Officio) |
| Absent: | None | |
| Staff: | Carl Sedoryk | General Manager/CEO |
| | Lyn Owens | Director of Human Resources |
| | Hunter Harvath | Director of Administration |
| | Michael Hernandez | Chief Operating Officer |
| | Robert Weber | Transit Services Manager |
| | Kelly Halcon | Human Resources Generalist |
| | Brigga Mosca | Marketing & Sales Manager |
| | Mary Archer | Planner |
| | Richard Burton | Temporary Purchasing Manager |
| | William Morris | Contract Transportation Manager |
| | Carl Wulf | Facilities/Capital Projects Manager |
| Others: | Dave Laredo | DeLay & Laredo |
| | Jim Fink | Salinas resident |
| | John Arriaga | JEA & Associates |
| | John Slobodon | Monterey resident |
| | Alan Cohen | City Council Member-City of Pacific Grove |
| | Mark Lord | DMC Construction, INC. |
| | Andy Miller | DMC Construction, INC. |
| | Debbie Hale | TAMC |
| | Don Bachman | TAMC |

***Apology is made for any misspelling of a name.***

Chairman Armenta welcomed the new Board representatives from the City of Pacific Grove: Vicki Stilwell and Alan Cohen (Alternate).

**2-2. – 2-13. CONSENT AGENDA**

The consent agenda items consisted of the following:

2-2. Adopt Resolution 2007-10 recognizing Mary Archer, Planner, as Employee of the Month for December 2006.

2-3. Disposal of property left aboard buses.

2-4. Minutes of the regular meeting of November 13, 2006.

2-5. Financial Report – November 2006.

2-6. Adopt Resolution 2007-11 appreciation for services rendered by Ron Schenk.

2-7. Adopt 2007 meeting calendar.

2-8. Authorize Chair to appoint ad-hoc Nomination Committee.

2-9. Form Ad-hoc committee to address local funding issues and possible amendment of Joint Powers Agreement.

2-10. Exercise one-year option to extend contract for legislative consulting service with Thomas Walters and Associates.

2-11. Purchase five MST RIDES vehicles.

2-12. Award $49, 500 contract to Cal Inc. for removal of hazardous materials at Marina Transit Station.

2-13. Authorize $42,242 contract to Tulsa Gas Technologies, Inc. for the purchase of a compressor for the Clean Air Refueling Station.

Chairman Armenta asked Directors Wilmot and Clark to sit on the nominating committee.

With regards to the Ad-hoc committee to address local funding issues and possible amendment to Joint Powers Agreement, the following directors were appointed to serve on the committee: Directors Mancini, Cunningham and Armenta.

**Director Mancini moved to approve the items on the consent agenda. Director Wilmot seconded and the motion carried unanimously.**

## 3. SPECIAL PRESENTATIONS

Hunter Harvath, Director of Transportation Services, reintroduced Mary Archer, Planner, as MST Employee of the Month for December 2006. Mary recently completed the Designing for Transit Handbook, producing a high quality document that will serve the agency and the community at large well for many years. She also worked closely with the Director of Administration to secure $210,000 in grant funds for MST from the Monterey Bay Air Pollution Control District, and Caltrans.

Michael Hernandez, Chief Operating Officer, introduced Carl Wulf, Facilities/ Capital Projects Manager. He will be responsible for the repairs and upkeep on MST's facilities as well as overseeing over 1,300 bus stops within the service area. He will also be overseeing the Marina Transit Exchange project.

Robert Weber, Director of Transportation Services, introduced Richard Burton, temporary Purchasing Manager.

## 4. PUBLIC COMMENTS

Jim Fink, Salinas resident, wished everyone a heartfelt Season's Greetings. He suggested that MST explore the following options. When passengers are paying their fare on the Muni in San Francisco, the doors close and the bus is back in service. This helps to eliminate service delays. In Sacramento, passengers are allowed to ride deadhead buses. The VTA buses have yield signs on the back of the buses. This makes it safer for the bus to pull out. In Ohio, the bus stops are the limit line at the intersection. This makes it easier for the buses to maneuver in and out of traffic. He appreciates how the MST Board has operated the system for the past 10 years.

Debbie Hale, TAMC, introduced Don Bachman as the new Assistant Executive Director of TAMC.

## 5-1. MARKETING COMMITTEE MINUTES

The Board accepted and filed the MST Marketing Committee Minutes – November 13, 2006. A correction was made to the Minutes to show that more Park & Ride lots will be added.

## 6-1. MARINA TRANSIT STATION CONTRACT

This project will be handled in two separate phases: hazardous materials/ asbestos abatement, and then demolition of the existing structure followed by construction of the Transit Exchange. Once work commences, weather permitting, it is anticipated that there will be about an eight-month construction period. During construction, the operation of the current Transit Exchange will be temporarily moved to

Seacrest Avenue. Approval of this agenda item will ensure this project is eligible for the needed $2.5 million dollar STIP grant and allow construction of this project to begin.

Jim Fink asked about the rerouting of lines being affected by the construction. Mr. Harvath said service will go back to the previous routes before there was a transit exchange in Marina.

**Director Mancini moved to: 1) Award a $2,636,008 contract to DMC Construction, Inc. for the construction of the Marina Transit Exchange; and 2) Authorized the General Manager/CEO to execute a contract with DMC Construction, Inc. prior to December 31, 2006. Director Wilmot seconded and the motion carried unanimously.**

## 7. PUBLIC HEARINGS

None.

## 8. UNFINISHED BUSINESS

None.

## 9-1. 2007 LEGISLATIVE PROGRAM

John Arriaga, JEA & Associates, talked briefly on MST's State Legislative Program. In 2007, he will continue to create a presence in Sacramento. MST will focus on ensuring its projects are funded through the state transportation bond recently approved by voters. MST will continue to push for the restoration of transit funds that have been diverted to other purposes and identification of legislative remedies that enhance the efficiency and effectiveness of transit service.

**Director Wilmot moved to adopt the MST 2007 Legislative Program. Director Mancini seconded and the motion carried unanimously.**

## 10-1. – 10-4. REPORTS & INFORMATION ITEMS

The reports consisted of the General Manager/CEO Report; Washington D. C. Lobbyist Report – November 30, 2006; Sacramento Lobbyist report – November 30, 2006; and staff trip reports.

Mr. Sedoryk reported that ridership continues to grow. January 7, 2007 will be the implementation date for the new service on the Monterey Peninsula. The annual report has been completed and highlights past accomplishments during the past year.

## 11. COMMENTS BY BOARD MEMBERS

Director Orozco reported that the Mayor of Gonzales may be making some Councilmember reassignments. This may be her last Board meeting. She thanked the Board, Mr. Sedoryk, and the MST staff for their fine work.

## 12. ANNOUNCEMENTS

None.

## 13. CLOSED SESSION

The Board adjourned to Closed Session to meet with legal counsel regarding conference with labor negotiations – unrepresented employee (GM/CEO) and to receive update on claims.

**Upon returning to Open Session, Chairman Armenta announced that the Board took the following action: 1) The Board reported that staff and Chairman Armenta provided a report on the status of negotiations with the General Manager/CEO; and 2) staff provided a status report on several open workers compensation matters including Wallace, Bartlett, Crow, Welch, Sterling, and Nguyen.**

## 14. ADJOURNMENT

There being no further business, Chairman Armenta adjourned the meeting at 11:20 a.m.

PREPARED BY: Sonia Bannister
Sonia AR Bannister

Agenda # **2-6**
January 8, 2007 Meeting

---

To: Board of Directors

From: D. Sobotka, Controller

Subject: Financial Report – December 2006

**RECOMMENDATION:**

1. Accept report of December cash flow presented in Attachment #1

2. Approve December disbursements listed in Attachment #2

3. Accept report of December treasury transactions listed in Attachment #3

**FISCAL IMPACT:**

The cash flow for December is summarized below, and is detailed in Attachment #1.

| | |
|---|---|
| Beginning balance November 25, 2006 | $ 1,308,684.71 |
| Revenues | 3,427,902.03 |
| Disbursements | < 2,279,226.78> |
| Ending balance December 22, 2006 | $ 2,457,359.96 |

**POLICY IMPLICATIONS:**

Disbursements are approved by your Board each month and are shown in Attachment #2. Treasury transactions are reported to your Board each month, and are shown in Attachment #3.

PREPARED BY ____________ Dave Sobotka REVIEWED BY ____________ Carl G. Sedoryk

**Attachment #3**

TREASURY TRANSACTIONS
FOR DECEMBER 2006

| Date | Account | Confirm # | Deposit | Withdrawal | Balance |
|---|---|---|---|---|---|
| Balance Forward at 11/25/06 | | | | | $ 1,174,123 |
| Dec 4 | LAIF | 1100398 | | 150,000 | 1,024,123 |
| Dec 7 | LAIF | 1100780 | | 612,000 | 412,123 |
| Dec 12 | LAIF | 1101172 | | 100,000 | 312,123 |
| Dec 14 | LAIF | 1101448 | 2,606,000 | | 2,918,123 |
| Dec 18 | LAIF | 1101810 | | 360,000 | 2,558,123 |
| Dec 21 | LAIF | 1102321 | | 300,000 | $ 2,258,123 |

| | |
|---|---|
| Local Agency Investment Fund: | |
| (Earned 5.125% for November 2006) | $ 2,258,123 |
| Treasury Balance at 12/22/06: | $ 2,258,123 |

Agenda # **2-7**
January 8, 2007 Meeting

---

To: Board of Directors

From: C. Sedoryk, General Manager/CEO

Subject: Amendment To Employment Agreement With GM/CEO

**RECOMMENDATION:**

1. Approve amendment to employment agreement with General Manager/CEO.

2 Approve a 3% annual Performance Incentive for the General Manager CEO.

**FISCAL IMPACT:**

$6,615 Cost-of Living and Longevity adjustment. $4,050 Performance Incentive. These costs are included in the approved FY 2006 operating budget. Annual deferred compensation contribution not to exceed $7,500 for the year 2006 and $7,750 for the year 2007.

**POLICY IMPLICATIONS:**

Your Board approves the employment agreement with the General Manager/CEO.

**DISCUSSION:**

On September 12, 2005, your Board approved an employment agreement with the General Manager/CEO. At your meeting of November 13th, 2006, your Board appointed an ad-hoc committee to review current compensation practices for the General Manager/CEO and recommend changes, if needed. On November 20th, 2006, the committee met with the General Manager/CEO and reviewed salary history and salaries for Directors and CEO's of comparable transit properties and regional special districts. At your meeting of December 11, 2006, the committee recommended providing the General Manager/CEO with benefits comparable to those currently received by Monterey-Salinas Transit Employee Association and a salary that is comparable to that offered similar sized transit properties and local special districts.

These benefits are provided in the attached amendment to the current employment agreement and include an annual cost-of living adjustment, longevity pay adjustment, performance incentive, and contributions to a deferred compensation plan. Approval of this amendment signifies your Board's interest in maintaining a salary and benefit package for the General Manager/CEO that is both equitable and competitive.

PREPARED BY: Carl G. Sedoryk
Carl G. Sedoryk

**AMENDMENT TO THE EMPLOYMENT AGREEMENT BETWEEN MONTEREY-SALINAS TRANSIT, AND CARL G. SEDORYK**

This **Amendment No. 1** to the Employment Agreement between and Monterey-Salinas Transit and (Hereinafter referred to as “THE CONTRACT”) is entered into by and between Carl G. Sedoryk (Hereinafter referred to as EMPLOYEE) and Monterey – Salinas Transit (Hereinafter referred to as MST)

**R E C I T A L S:**

WHEREAS, MST, and EMPLOYEE desire to amend specific language of THE CONTRACT to clarify and amend wages and benefits provided to the EMPLOYEE. THE CONTRACT was effective September 12, 2005 by and between MST, and EMPLOYEE:

NOW, THEREFORE, the parties hereby amend THE CONTRACT as follows:

1. **Article 3 Benefits – Section J. (Other Benefits),** shall be amended to read as follows:

**j. Other Benefits**

MST shall grant or pay any other fringe benefits as are granted or paid to members of the Monterey-Salinas Transit Employees’ Association (MSTEA) under the terms and conditions of their agreement with MST. These benefits include but are not limited to:

**Wage Increase**: On the first pay period of each consecutive year of this MOU following July 1st, EMPLOYEE shall receive a wage increase equal to the percent of increase established by CPI established by the U.S. Department of Labor Statistics, Consumer Price Index (CPI) – Urban Wage Earners and Clerical Workers (San Francisco, Oakland, San Jose) from the prior year ending June 30th. This increase shall not be less than 3% and shall not exceed 5% of the employee’s base pay.

**Longevity Pay:** Beginning in the pay period following EMPLOYEE’S employment anniversary date, if EMPLOYEE has been employed by MST for 5 consecutive years, he shall receive an increase in base pay equal to 1% and eligible for an increase of 1% on the anniversary date of each consecutive year of employment. The increase will appear in the pay period following the EMPLOYEE’S anniversary date. Consecutive years of employment will include part-time employment provided there is no break in service of 90 days or more.

**Incentive Pay:** An incentive pay pool equal to 5% of the total base salary of EMPLOYEE shall be established. The incentive pay pool for first year of the contract will use the total base salary of the EMPLOYEE as of October 1, 2005. Years two and three of this contract will use the total base salary as of July 1, 2006 and July 1,2007. Said incentive pay shall be paid to EMPLOYEE based upon performance in accordance with achievement of Board adopted goals and objectives. Said payment shall be a one-time payment for each contract year and shall not increase the EMPLOYEE'S base pay.

In addition to benefits provided to MSTEA, EMPLOYEE shall offer the following additional benefit to EMPLOYEE:

**Deferred Compensation Match:** EMPLOYEE shall be eligible to receive a dollar for dollar matching contribution from MST to an approved deferred compensation program in an annual amount not to exceed 50% of the annual individual contribution allowed under current Internal Revenue Service guidelines.

Parties agree that above benefits shall be applied with an effective date of July 1, 2006.

IN WITNESS WHEREOF, the parties hereto have executed this AGREEMENT:

**EMPLOYEE MONTEREY-SALINAS TRANSIT**

| | |
|---|---|
| By:____________________________ | By:__________________________ |
| Carl Sedoryk, General Manager & CEO | Fernando Armenta, Chair |
| Date _____________ | Date ______________ |

Agenda # **2-8**
January 8, 2007 Meeting

---

To: Board of Directors

From: D. Sobotka, Controller

Subject: Approve Resolution Authorizing Investment in the Local Agency Investment Fund (LAIF)

**RECOMMENDATION:**

Approve the resolution to authorize staff the right to transfer excess cash into the State of California Local Agency Investment Fund managed by the State Treasurer's office.

**FISCAL IMPACT:**

None. MST is currently using LAIF for investing excess cash.

**POLICY IMPLICATIONS:**

The Office of the Treasurer of the State of California has requested that we update the out of date resolution, which authorized staff to transfer monies to and from LAIF. That resolution dated February 13, 1983, lists the previous General Manager and Assistant General Manager as the officers approved to transfer funds.

LAIF has provided a "safe and liquid" investment vehicle for our excess cash not immediately needed for operations or capital spending. LAIF satisfies our fiduciary responsibility for managing public funds without the associated risks, and is protected by statute from being "raided" by the State of California. Any funds invested by public agencies into LAIF remain the property of the local agency, not the State.

PREPARED BY ______________ REVIEWED BY ______________
Dave Sobotka Carl G. Sedoryk

# AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND

WHEREAS, pursuant to Chapter 730 of the statutes of 1976 Section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund in the State Treasury for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Board of Directors does hereby find that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein as in the best interests of Monterey-Salinas Transit.

NOW THEREFORE BE IT RESOLVED that the Board of Directors does hereby authorize the deposit and withdrawal of Monterey-Salinas Transit's monies in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein, and verification by the State Treasurer's Office of all banking information provided in that regard.

BE IT FURTHER RESOLVED that the following Monterey-Salinas Transit officers or their successors in office shall be authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund.

Carl G. Sedoryk
Treasurer

David A. Sobotka
Deputy Treasurer

PASSED AND ADOPTED, by the Board of Directors of Monterey-Salinas Transit of the State of California on January 8, 2007 by the following vote:

AYES: Anderson, Armenta, Clark, Cohen, Cunningham, Mancini, Russell, Wilmot

NOES: None

ABSENT: None

Fernando Armenta
Chairman

Carl Sedoryk
Secretary

Agenda # **2-9**
January 8, 2007 Meeting

To: Board of Directors

From: D. Sobotka, Controller

Subject: FY2006 Budget Transfers

**RECOMMENDATION:**

Approve budget transfers as detailed in Attachments 1 through 3.

**FISCAL IMPACT:**

Capital and operating budget transfers are necessary to revise Federal earmark and SAFETEA-LU funds and transfer LTF (Local Transportation Funds) to the Fixed-Route BUS operating budget for increased insurance reserves. In addition, there is a need to decrease the RIDES capital budget for a reduction in Federal Section 5310 funds for five (5) vans awarded out of eight (8) requested, and transfer STAF (State Transit Assistance Funds) to the Fixed-Route BUS capital budget.

The net impact is a decrease in the total budget by $497,725. The entire MST budget remains balanced and revenues match expenses.

**FY 2006 Transfers are summarized below:**

| | FY 06 Budget | Proposed Transfers | Proposed FY 06 Budget Revised | Attachment |
|---|---|---|---|---|
| Fixed Route BUS | | | | |
| Operating Budget | $19,122,802 | $ 496,579 | $19,619,381 | 1 |
| Capital Budget | 3,258,711 | (816,854) | 2,441,857 | 2 |
| MST RIDES | | | | |
| Operating Budget | 1,794,598 | | 1,794,598 | |
| Capital Budget | 513,015 | (177,450) | 335,565 | 3 |
| Total Budget | $24,689,126 | $(497,725) | $24,191,401 | |

**POLICY IMPLICATIONS:**

Approval of these budget transfers would indicate the Board's desire to accept the adjustments necessary to balance the budget for the fiscal year.

**DISCUSSION:**

The budget transfers are based upon audited recording of revenues and costs for FY 2006. Operating Budget expenses are higher than projected for Fixed-Route BUS and grant revenues are lower than projected for Fixed-Route BUS and RIDES capital. An actuarial review of workers compensation and liability insurance reserves recommends increased reserves for potential claims from incidents occurring in past years. The MST auditors and staff disagree with the conclusions of the actuarial review but are compelled to make some adjustment. MST auditors recommend another actuarial study to be performed in Fiscal year 2008. These changes are summarized below, and listed in Attachments 1 through 3.

**Operating Revenues. Fixed-Route BUS:** LTF of $496,579 are being transferred from capital to cover expenses in excess of revenues.

**Operating Expenses. Fixed-Route BUS:** The increases in workers compensation and liability insurance reserves of $496,579 have necessitated the transferred LTF identified above.

**Capital Expenditures. Fixed-Route BUS:** STA funds of $68,368 are being transferred from MST RIDES Capital to help cover the cost of the Mid-life Rebuild of Gillig Phantom coaches. Earmark and SAFETEA-LU funds of $388,643 for the payment of the bus financing arrangement have been reduced at the Federal level.

**Capital Expenditures. MST RIDES:** Federal Section 5310 funds requested in the amount of $371,852 were reduced to $262,770 during the FY 2006 competitive cycle, and STAF funds not needed for RIDES capital were transferred to BUS capital.

The Finance Committee will meet on January 8 to review these transfers, and will report to your Board as appropriate.

PREPARED BY _______________ Dave Sobotka REVIEWED BY _______________ Carl G. Sedoryk

**Attachments:**
1. FY 2006 Fixed-Route BUS Operating Budget Revision
2. FY 2006 Fixed-Route BUS Capital Budget Revision
3. FY 2006 MST RIDES Capital Budget Revision

Agenda # **2-10**
January 8, 2007 Meeting

---

To: Board of Directors

From: D. Sobotka, Controller

Subject: Audited Financial Reports for FY 2006

**RECOMMENDATION:**

Accept the audited financial reports for FY 2006 as prepared by Vavrinek, Trine, Day & Co.

**POLICY IMPLICATIONS:**

The annual financial reports are prepared and issued in accordance with state and federal regulations.

**FISCAL IMPACT:**

None.

**DISCUSSION:**

Audited financial reports are as follows:

1. State Financial Reports to the State Controller. (Supplement A)

2. Federal Financial Report to the Federal Transit Administration. (Supplement B)

3. Federal Single Audit, Financial Statements and Auditors' Report included in Comprehensive Annual Financial Report (Handout)

4. State Transportation Development Act Compliance Report (Attachment #1)

The State Financial Reports and the Federal Financial Report were submitted prior to their required deadlines. The State Compliance Report and the Federal Single Audit are due by the end of FY 2007.

**State and Federal Financial Reports (Items 1 and 2)**

Since the State Controller requires separate reports to be filed for each transit mode, Supplement A contains separate reports for Fixed-Route Bus and RIDES. Both the state and Federal financial reports have the same financial data but in different formats, and are enclosed as Supplements A and B to the agenda package.

Comparative Financial Results. The first table below compares the "bottom lines" for the past three years for Fixed Route BUS, and the second table compares 'bottom lines" for MST RIDES:

| **Fixed Route BUS** – | FY 2004 | FY 2005 | % Change | FY 2006 | % Change |
|---|---|---|---|---|---|
| Passenger Revenue | $ 4,659,044 | $ 4,612,486 | -0.1% | $ 5,660,573 | 22.7% |
| Expense | $16,580,567 | $17,074,778 | 3.0% | $19,401,817 | 13.6% |
| Farebox Recovery Ratio | 28% | 27% | | 29% | |

| **MST RIDES** - | FY 2004 | FY2005 | %Change | FY2006 | % Change |
|---|---|---|---|---|---|
| Passenger Revenue | 175,607 | 174,087 | -0.1% | 156,394 | -10.2% |
| Expense | 1,682,055 | 1,884,808 | 12.1% | 1,628,330 | -13.6% |
| Farebox Recovery Ratio | 10% | 9% | | 10% | |

**Federal Single Audit Report and State Compliance Report (Items 3 and 4)**

The Single Audit covering Federal rules, regulations, and requirements is enclosed as a Handout. It found no material weaknesses nor did MST fail to comply in all material respects with the many Federal rules, regulations, and requirements. The State Compliance Audit (Attachment #1) found no violations of the State Transportation Development Act.

PREPARED BY ______ REVIEWED BY ______
Dave Sobotka Carl G. Sedoryk

**MST**

*MONTEREY-SALINAS TRANSIT*

Monterey, California


# Comprehensive Annual Financial Report

For the Fiscal Year Ending June 30, 2006

MST

MONTEREY-SALINAS TRANSIT

**Monterey, California**

# Comprehensive Annual Financial Report

For The Fiscal Year Ended

June 30, 2006

Prepared by the Accounting Department

David A. Sobotka, Controller

This page intentionally left blank

# TABLE OF CONTENTS

# TABLE OF CONTENTS

# Section I

## INTRODUCTORY

This page intentionally left blank

MST

*MONTEREY-SALINAS TRANSIT*

JOINT POWERS AGENCY MEMBERS:
*City of Carmel-by-the Sea ı City of Del Rey Oaks ı City of Marina ı City of Monterey ı City of Pacific Grove*
*City of Salinas ı City of Seaside ı County of Monterey*

**Board of Directors and Passengers of Monterey-Salinas Transit**
**Monterey, California** **December 29, 2006**

**Comprehensive Annual Financial Report (CAFR)**
**Year Ended June 30, 2006**

## FORMAL TRANSMITTAL OF THE CAFR

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of Monterey-Salinas Transit (MST) for the fiscal year July 1, 2005 through June 30, 2006. This transmittal letter provides a summary of finances, achievements, economic prospects and services in a manner that is easily accessible to those without a background in accounting or finance. As such, unnecessary use of jargon has been avoided; further explanation of financial matters is provided in Management's Discussion and Analysis provided in the Financial Section of this Report.

As required by state law, independent auditors selected by the Board of Directors audited the financial statements contained in the CAFR. For the fiscal year ended June 30, 2006, Vavrinek, Trine, Day & Co. LLP, expressed an opinion that the statements are fairly stated and in compliance with accounting principles generally accepted in the United States of America. This most favorable type of opinion is commonly referred to as "unqualified" or "clean". While the independent auditor has expressed such an opinion, MST management takes sole responsibility for the contents of this CAFR, including its presentation, completeness and disclosures. To the best of its knowledge, staff believes the information to be accurate in all material respects.

This Comprehensive Annual Financial Report consists of the following four sections:

I. The *Introductory Section* contains this letter of transmittal, a list of principal officials, an organization chart and service area map.

II. The *Financial Section* begins with the management's discussion and analysis, independent auditor's opinion and the statements of financial position, cash flow and operating results. Also included are notes to the financial statements and certain supplemental information that enhance an understanding of MST's current financial status.

III. The *Statistical Section* depicts the past ten years of history and illustrates financial trends, providing unaudited information that is useful for a broader and more complete understanding of the MST's financial and operational affairs.

IV. The *Single Audit Section* provides the independent auditor's reports and financial schedules for federally-funded programs.



One Ryan Ranch Road ● Monterey, California 93940-5795 USA ● FAX 831.899.3954 ● Phone 831.899.2558 or 424.7695
www.mst.org ● email: mst@mst.org

MONTEREY-SALINAS TRANSIT

## PROFILE OF THE REPORTING ENTITY

***Joint-Powers Agency***

Monterey-Salinas Transit (MST) is an independent political subdivision of the State of California. It was originally formed by a joint-powers agreement in 1972, which was revised in 1981 to include the Salinas Transit System. The County of Monterey (the *'County")* is located along the Central Coast of California, bordered on the south by San Luis Obispo County, the west by the Pacific Ocean, the east by San Benito County, and the north by the counties of Santa Clara and Santa Cruz.

MST provides bus transit services throughout the County and north into downtown Watsonville in Santa Cruz County and Gilroy in Santa Clara County. MST's reporting entity is legally separate and financially independent as defined in Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity." There is no other organization within Monterey County with a similar scope of public transportation service.

The MST began operations in 1973 as Monterey Peninsula Transit and, by 1981 had consolidated two separate municipal systems into a viable network of local service throughout the 110 square-mile service area. In 1997, MST began operation of RIDES, a demand-response service for patrons with mobility impairments, previously operated by the County.

MST has received recognition as a leader in the public transit field with numerous awards. In 1998, MST won the California Governor's Quality Commitment Award. In addition, MST programs and individuals have received numerous awards from the Transportation Agency for Monterey County, the transportation-planning agency for Monterey County.

***Special Purpose District***

The agency is a special purpose district governed by an eight-member Board of Directors. The county Board of Supervisors selects one of its own members to serve on the MST Board. The mayors of each of the seven joint-power cities appoint one elected city official, bringing membership to eight. Directors meet once a month to determine overall policy for MST. A 6-member RIDES Advisory Committee (representing the elderly and disabled) provides non-binding input to the Board.

The mission of MST is leading, advocating and delivering quality public transportation. The Board of Directors adopts objectives, key business drivers and then monitors staff implementation of programs and policies. This strategic planning process also provides the basis for the operating budget and the 5-year capital improvement program. MST's key business drivers are organized under four general categories:

1. Operate safely, effectively and efficiently
2. Increase customer satisfaction
3. Strengthen employee development and satisfaction
4. Enhance support by MST members and other stakeholders

MST
MONTEREY-SALINAS TRANSIT

Some of the objectives and initiatives for fiscal year 2006 include the following:

- Develop Phase Two Build-out of the Marina Transit Station.
- Continue to pursue funding and begin development of the Monterey Bay Operations Center.
- Initiate planning for the Salinas Service Improvement Program.
- Conduct business within approved budget and performance indicators.
- Implement Financial Accounting Management Information System (FAMIS).
- Complete takeover of the Clean Air Refueling Station (CARS) and upgrades.

***The Organization***

MST is organized into the following principal departments:

*Administration and Finance* - responsible for employee administration and development, labor relations and safety and security, information technology, treasury and debt management, budgeting, grant administration, general accounting, payroll, audit functions, marketing, advertising, public information and customer service, planning, programs and grant development.

*Facilities and Maintenance* -responsible for property management, procurement and inventory control, and vehicle maintenance.

*Operations* - responsible for administering bus transportation, various shuttles, ADA programs, service planning and quality assurance.

***Service Delivery Network***

The MST fixed-route bus system consists of 33 routes: twenty-seven operated by MST personnel, and six routes operated by MV Transportation, Incorporated. On an average weekday, these vehicles travel approximately 7,571 miles and carry more than 14,059 passengers. RIDES, MST's paratransit service, transports approximately 249 mobility impaired patrons daily on 24 specially equipped buses, minivans and sedans.

Bus ridership in Monterey County escalated from 280,000 in fiscal year 1973 to nearly 5 million in fiscal year 2002. As MST completed its 30th year of service in 2002, ridership had increased nearly 1,800 percent.

MST is partner in a variety of community events in Monterey County and provides special transportation service to the Monterey County Fair, California International Airshow, First Night festivities on New Year's Eve, and races at Laguna Seca. MST buses also travel to Big Sur during the summer months, where visitors can observe the natural beauty of the region. During its 30 years of operations, MST has provided transportation to special events such as the 1985 Aquarium Opening Day and the 1987 visit by Pope John Paul II. MST has provided emergency services to community evacuating local residents affected by natural disasters including floods, fires, and earthquakes.

MST implemented a new and improved system of routes and schedules on July 1, 1999 to respond to the needs of the community. The revamped system included new route numbers, additional services, and the consolidation or elimination of some routes.

MST
MONTEREY-SALINAS TRANSIT

***Special Projects and New Programs***

As we progress through its fourth decade of service, MST is focusing on several major projects designed to improve travel in the County and into Santa Clara County which include:

**MST Trolleys**

The City of Monterey and the Monterey Bay Aquarium formed a partnership to provided funds to MST for the purchase of Trolleys and operating free service along the Water Area Visitors Express (WAVE) route, from Downtown Monterey along Cannery Row to the Aquarium.

**Caltrain Connection in Gilroy**

Until the train connection from Gilroy to Salinas is established for the Caltrain System, MST is providing bus service from the Monterey Peninsula and Salinas. Commuter and mid-day service is being provided on this demonstration project to determine the feasibility of the program, which began in fiscal year 2003.

**South Monterey County Service**

Fixed-route bus service for Gonzales has been expanded to all south Monterey County cities, utilizing local and federal funds. This three-year demonstration project should fulfill a long outstanding unmet transit need of the rural areas of the County.

**New Operations Facilities**

The Fort Ord Reuse Authority has transferred 19.3 acres of land located on the former Fort Ord. Fund raising is in progress to build a $30 million Operations facility to consolidate all fixed-route bus and DART operations in one location. Two facilities located in Monterey and Salinas currently provide for all operation, maintenance and administrative functions.

**Elderly and Persons with Disabilities**

For many county residents, especially seniors and those with disabilities, MST provides the only means of transportation via its accessible fixed-route and RIDES services. During the past year, MST reaffirmed its special policy of providing discount fares to the senior and disabled community on fixed-route service. The entire fleet of vehicles is equipped with wheelchair lifts and some with a kneeling feature.

MST is now entering its 11th year of providing paratransit service to people with disabilities in Monterey County. In 1996, MST implemented arrangements with Monterey County to assume this service contracted with Pro Transportation Services, Inc., a privately owned company. MST is in full compliance with the federally mandated Americans with Disabilities Act.

In fiscal year ended June 30, 2006, RIDES vehicles, owned by MST, and contracted taxis provided a total of 36,352 hours of service.

MST
MONTEREY-SALINAS TRANSIT

## FINANCIAL POLICY & CONTROL

MST is accounted for in a single enterprise fund on the accrual method of accounting. In developing and evaluating the accounting system, emphasis is placed on the adequacy of internal accounting controls.

***Internal Accounting Controls***
Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

1. The safeguarding of assets against loss from unauthorized use or disposition; and
2. The reliability of financial records for preparing financial statements and accounting for assets.

The concept of reasonable assurance recognizes that:

1. The cost of control should not exceed the benefits likely to be derived; and
2. The evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that MST's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

***Cash Management***
The Board of Directors has adopted an investment policy as prescribed by State of California law. This policy emphasizes safety and liquidity over return on investment. Within these parameters, MST pursues a prudent cash management and investment program in order to achieve maximum return on all available funds. The MST's policy is to hold securities to maturity to avoid losses from a potential sale.

***Risk Management***
Every three years an independent consultant is retained to perform an actuarial study. MST implements the recommendations and coordinates the annual insurance program. Current insurance policies provide public liability coverage to $10,000,000 and property damage in excess of the $5,000 self-insured retention. For workers' compensation, the limit is $5,000,000 with $350,000 per occurrence self-insured. Staff monitors the program and the reserves throughout the year.

***Budgetary Control***
State law requires the adoption of an annual budget and the Board of Directors has unlimited authority to approve and amend the budget. In the opinion of legal counsel, the *State of California's* Gann Act appropriation limit does not apply to this special purpose organization. Staff bases the MST budget on agency goals and objectives and presents it to the Board of Directors in the spring of the preceding fiscal year. The Board adopts a balanced budget by resolution that is supported by adequate reserves to cover excess expenditures over revenues. Cost center managers are responsible for monitoring budget-to-actual performance on an accrual basis.

MST's budget process identifies goals and objectives and allocates resources accordingly. Operating revenues and expenses are budgeted on the accrual basis and staff monitors and controls progress through variance analysis. A supplemental schedule comparing the adopted budget to actual on a budgetary basis is included in the Financial Section.

**FINANCIAL HIGHLIGHTS – More financial information is available from the Management Discussion and Analysis included in the Financial Section.**

The Monterey-Salinas Transits financial position continues to be strong. Financial planning is based on the assumption of steady ridership growth, continuation of the bus acquisition and replacement program, and extraordinary capital requirements associated with the Marina Transit Station and the Monterey Bay Operations Facility at the former Fort Ord.

***Revenue Sources***

MST utilizes five primary sources of revenue to operate its public transit services: passenger fares, local transportation funds, investment income, non-transportation funds and federal funds. Operating income from patron fares and/or local transaction and use taxes must cover 15 percent of applicable operating expenses to be eligible for State of California Transportation Development Act (TDA). TDA funding provides one-quarter of one percent of the sales tax collected in Monterey County.

Local and state revenue now covers the yearly shortfall in operating expenses, provides the local match for federal capital grants and finances other needed capital programs. MST still relies heavily on federal assistance for capital expenditures.

***Expenses and Expenditures***

Overall expenses and expenditures are classified into nine categories: salaries/benefits, services, materials and supplies, professional and technical services, purchased transportation, insurance, utilities, leases and rentals, other expenses and depreciation.

***Capital Program***

The main thrust of MST's capital development program over the next five years will be the completion of the Marina Transit Station, the Intelligent Transportation System, and initiating construction of the Frank J. Lichtanski Monterey Bay Operations Facility, named for the former General Manager of 30 years, who deceased in June 2006.

## ECONOMIC CONDITIONS

Ranking high in affluence among Northern California counties, Monterey County has a maturing economy. Due to lack of substantial industry diversification, Monterey County depends upon two industry segments for its prosperity – agriculture and tourism. In fiscal year 2006, signs of economic recovery appeared in lower unemployment rates and higher tourism levels, which have lead to increased revenues from sales taxes generated by these sources. As of the date of this report, MST is projecting a slight increase in revenues and ridership growth for the next year and services are being adjusted to reflect these changes. This upturn is expected to be moderate. While the long-term economic outlook remains favorable, MST is taking a prudent course of cutting non-service related budgets and analyzing the appropriateness of current staffing levels and vacancies while seeking to maintain existing productive routes as much as possible.

MONTEREY-SALINAS TRANSIT

**FUTURE OUTLOOK**

Notwithstanding current economic fluctuations, MST anticipates a transition over the next decade into the new millennium from its role as a local and line-haul bus operator to a more diversified enterprise encompassing rail, bus, and paratransit modes. MST will continue to provide local transportation for municipalities, but also will support its feeder bus service to the San Jose and San Francisco Bay area.

While the Association of Monterey Bay Area Governments (AMBAG) projects a 17.9% percent increase in county population by 2010, the County's inventory of jobs is expected to grow by 13.8% percent. Air quality standards are set by the Monterey Bay Unified Air Pollution Control District (MBUAPCD) with implementation of congestion management plans by local agencies. These services are underwritten by a variety of public and private funding sources. Capital funding will continue to support a bus acquisition program consistent with the MST's fleet modernization standards.

**SUMMARY**

The men and women of the Monterey-Salinas Transit and its contract service provider bring an effective combination of skills, experience and dedication to carrying out their mission of leading, advocating and delivering quality public transportation.

MST provides a modern bus fleet, state-of-the-art bus maintenance facilities, and is an active participant in a coordinated regional transit network with direct connections to neighboring systems. MST services provide a choice in alternatives to automobile travel, improved access to work, education, and recreation opportunities to members of our community and improving the quality of life in the region by reducing traffic congestion and improving air quality.

Along with the recent economic recovery, MST expects to consummate its strategic plan without compromising the sound financial structure developed over thirty years of operations. In past economic recoveries, Monterey County has recovered more quickly than most other areas in California and the nation. With the continued dedication of its transit professionals, Monterey-Salinas Transit will continue to meet the transportation challenges faced by our community, and will strive to exceed the expectations of our customers, employees, and stakeholders.

**AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Monterey-Salinas Transit for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the fourth consecutive year that MST has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**ACKNOWLEDGEMENTS**

The preparation of this report required the dedicated extra efforts of MST staff and we extend our grateful recognition to all individuals who assisted. Within the Finance Division, we particularly wish to acknowledge the contributions of Accountant Fred Libert, Senior Accounting Technicians Kathy Bertrand and Sharon Roberts, and Accounting Assistant Karleen Russell to recognize the high level of professionalism they bring to Monterey-Salinas Transit. In addition, this report could not have been produced without the timely audit and expert guidance of Vavrinek, Trine, Day & Co., LLP. Finally, we wish to thank the Board of Directors for their interest and support in the development of a strong financial system. We acknowledge that management is responsible for the content of this Comprehensive Annual Financial Report.


Respectfully submitted,

**Carl Sedoryk**
General Manager/CEO

**David A. Sobotka**
Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Monterey-Salinas Transit
## California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

# MONTEREY-SALINAS TRANSIT

## BOARD OF DIRECTORS

**Fiscal Year Ending June 30, 2006**

FERNANDO ARMENTA, Chair

THOMAS MANCINI, Vice Chair

KRISTIN CLARK

MICHAEL CUNNINGHAM

LIBBY DOWNEY

MARIA OROZCO (Ex-Officio)

RON SCHENK

SERGIO SANCHEZ

GARY WILMOT

**Fernando Armenta** – Chair, was appointed in November 1996, and has been a member of the Monterey County Board of Supervisors since January 2001. He served as Chairperson from March 2000 to February 2001, when he became Vice Chair. He again serves as Chairperson beginning in February 2004. Mr. Armenta was initially appointed as the representative councilmember for the City of Salinas.

**Thomas Mancini,** councilmember from the City of Seaside, was appointed in January 1999. He began serving as Vice Chair in February 2004.

**Kristin Clark, c**ouncilmember from the City of Del Rey Oaks, was appointed in May 2003.

**Michael Cunningham**, councilmember from the City of Carmel-By-The-Sea, was appointed in May 2004.

**Libby Downey, c**ouncilmember from the City of Monterey, was appointed in February 2005.

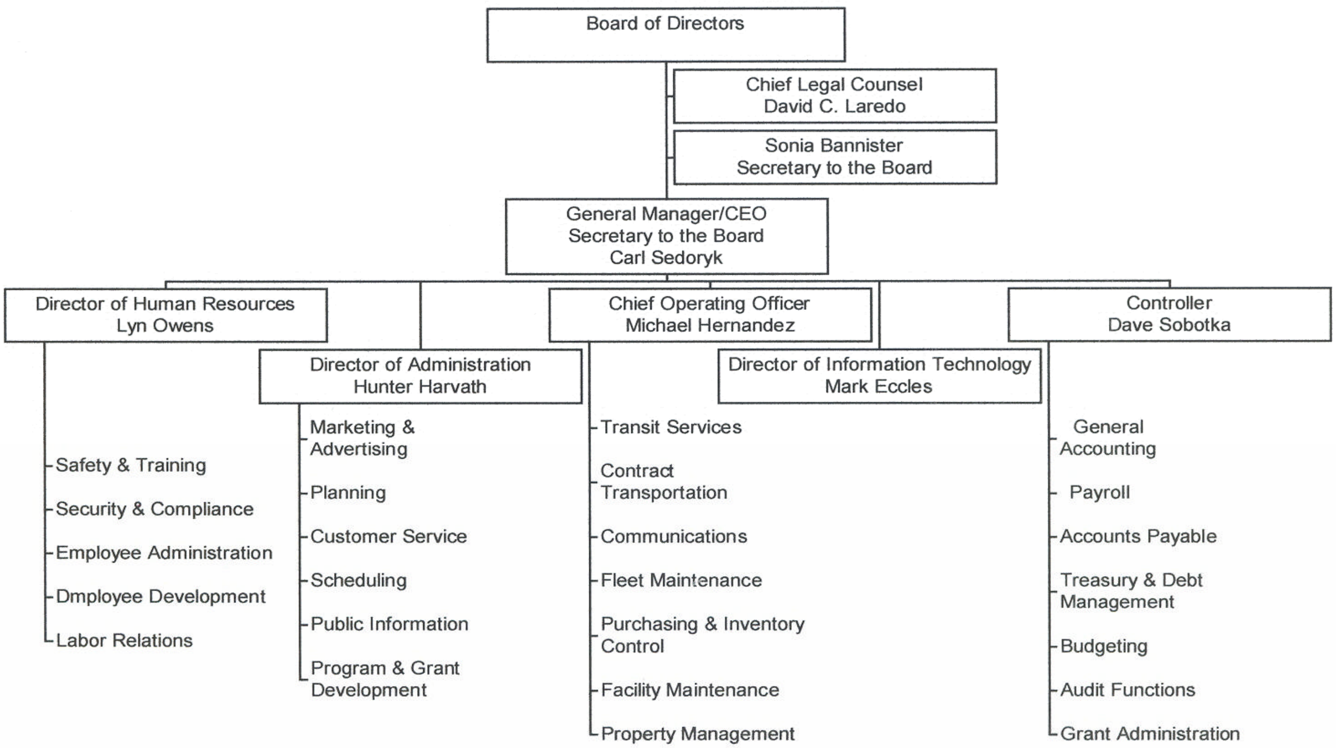
**Maria Orozco,** Ex-Officio councilmember from the City of Gonzales, was appointed in January 2004.

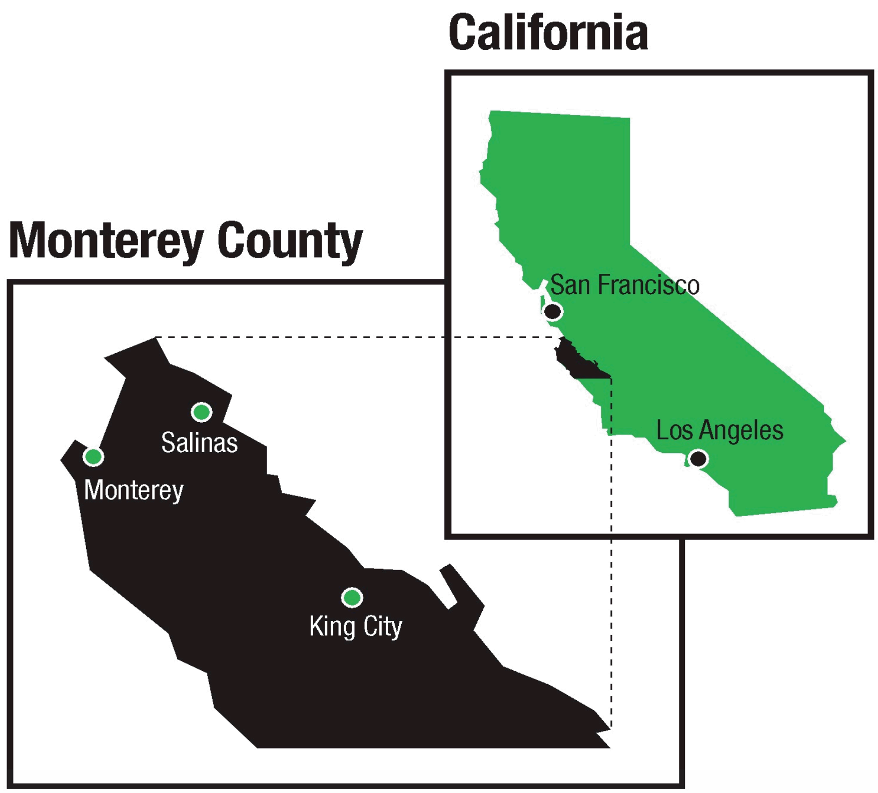
**Ron Schenk**, **c**ouncilmember from the City of Pacific Grove was appointed in December 2004 by the City of Pacific Grove.

**Sergio Sanchez**, councilmember from the City of Salinas, was appointed by the Mayor of Salinas in January 2003.

**Gary Wilmot,** councilmember from the City of Marina, was appointed in December 2004.

# MONTEREY-SALINAS TRANSIT




California
San Francisco
Los Angeles
Monterey County
Salinas
Monterey
King City

Monterey and Salinas Regional Bus Map
20 Monterey - Salinas
21 Monterey - Salinas
22 Monterey - Big Sur
23 Salinas - King City
24 Carmel Valley - Carmel Rancho
Peak hours only
25 Monterey - Gilroy
26 Salinas - Gilroy
27 Watsonville - Monterey
28 Watsonville - Salinas
Special service
29 Watsonville - Salinas
53 Monterey Peninsula - South County Express
25 26 Gilroy
Caltrain Station
27 28 29
Watsonville Transit Center
Riverside Drive
P‡jaro
Salinas Road
Las Lomas
Salinas Road
Moro Cojo
Moss Landing
Highway 1 & Dolan
P+R
Prunedale
Prunetree Shopping Center
Northridge Center
Harden Ranch Plaza
Northridge Main & Laurel
Castroville
Merritt & Union
Marina
Transit Station
Marina Municipal Airport
Hartnell College
Salinas Transit Center
20 21 23 26 28 29
Reservation Road
PACIFIC OCEAN
Monterey Bay
Monterey Plaza Hotel
Conference Center
22
Edgewater Transit Exchange
Portola & Creekside
The Inn at Spanish Bay
Fremont Boulevard
Laguna Seca Regional Park
Monterey Transit Plaza
20 21 25 27
Fairgrounds
Monterey Peninsula Airport
Ryan Ranch Industrial Park
Chualar
Monterey Peninsula 53
Del Monte Center
Monterey Peninsula College
Laureles Grade Road
SPCA
Carmel Bay
Olmsted Road
Canyon Del Rey
Carmel
6th & Mission
Carmel High School
24 Carmel Rancho
City Hall
Point Lobos State Park
Carmel Valley Road
Mid Valley Center
24 Carmel Valley
Pilot & Del Fino
Flight Road
Gonzales Center
Bixby Creek Bridge
Rippling River
Correctional Facility
Point Sur Light Station
Andrew Molera State Park
Soledad
Greenfield
Pfeiffer Big Sur State Park
N
MST
23 King City
First & Lynn
Big Sur 22
Nepenthe
53 King City
Mee Memorial
Park & Ride Lot
Railroad and station

This page intentionally left blank

# Section II

## FINANCIAL

Independent Auditors' Report

Management's Discussion and Analysis

**Financial Statements**

- Statements of Net Assets
- Statements of Revenues, Expenses and Changes in Net Assets
- Statements of Cash Flows
- Notes to Financial Statements

**Required Supplementary Information**

- Schedule of Funding Progress

**Other Supplemental Information**

- Consolidating Statements by Program
- Budgetary Comparison

This page intentionally left blank

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Monterey-Salinas Transit

We have audited the accompanying statements of net assets of the Monterey - Salinas Transit (MST) as of June 30, 2006 and 2005, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of MST's management. Our responsibility is to express an opinion on these financial statements based upon our audits.

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

As described in Note 1 of the financial statements, the MST adopted Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section an amendment of NCGA Statement No. 1.*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Monterey-Salinas Transit as of June 30, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2006, on our consideration of the MST's internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 and the Schedule of Funding Progress on page 24 are not required parts of the basic financial statements, but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements of MST taken as a whole. The accompanying schedule of Federal Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments.* The Consolidating Statements by Program listed as Other Supplemental Information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of MST. Both the schedule of Federal Financial Assistance and the Consolidating Statements by Program have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section, the Budgetary Comparison and the Statistical Section listed in the table of contents are also presented for the purpose of additional analysis and are not a required part of the financial statements. We have not audited this information and express no opinion on it.

Vavrinek Trine Day & Co. LLP

Palo Alto, California
September 29, 2006

# MST

*MONTEREY-SALINAS TRANSIT*

JOINT POWERS AGENCY MEMBERS:

*City of Carmel-by-the Sea ı City of Del Rey Oaks ı City of Marina ı City of Monterey ı City of Pacific Grove*
*City of Salinas ı City of Seaside ı County of Monterey*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of Monterey-Salinas Transit (MST) provide an introduction to the financial statements of MST for the fiscal year ended June 30, 2006.

Following the MD&A are the basic financial statements of MST together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

## MST ACTIVITIES HIGHLIGHTS

MST is based in Monterey, California, and consists of two operating divisions, Fixed-Route BUS and RIDES Paratransit, operating in two Federal Urbanized Zones: the Monterey Peninsula and Salinas. Overseeing more than 213 employees who work together in the public interest, the General Manager/CEO coordinates the operations of these divisions according to the policy and direction of the Board of Directors. The Board of Directors consists of eight members representing the seven member cities and the County: Carmel-by-the-Sea, Del Rey Oaks, Marina, Monterey, Pacific Grove, Salinas, Seaside and Monterey County. Over 4,700,000 passengers ride Monterey-Salinas Transit each year.

The recent turnaround from the economy and upturn in the investment industry has resulted in a increase in service for Fixed-Route BUS. RIDES Paratransit service continues to drop as intended due to the relinquishing of MediCal service at mid-year 2003.

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Fixed- Route Passengers | 4,793,200 | 4,738,112 | 4,624,558 |
| % increase/(decrease) | 1.16% | 2.46% | |
| | | | |
| RIDES Paratranist Passengers | 65,514 | 66,538 | 67,947 |
| % increase/(decrease) | (1.54%) | (2.07%) | |

MST is unique compared to Santa Cruz and San Francisco Bay Area transit operations because it provides transit service without support from direct sales tax measures or dedicated general funds. As MST does not have the authority to levy taxes, the use of Local Transportation Funds is the only available local means MST has to support transit services. Presently, MST is funded approximately 30% by passenger fares for Fixed-Route service and 10% for RIDES Paratransit service. The remainder is met by Federal formula and Congestion Management Air Quality funds and other local air pollution control district funds.

## FINANCIAL POSITION SUMMARY

Total net assets serve over time as a useful indicator of MST's financial position. MST's assets exceed liabilities by $17.6 million at June 30, 2006, which did not change from June 30, 2005. A condensed summary of net assets at June 30 is shown below ($ in thousands):

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| ASSETS: | | | |
| Current and other assets | $ 7,618 | $ 7,063 | $ 7,433 |
| Capital assets | 26,035 | 28,233 | 31,639 |
| Total assets | $ 33,653 | $ 35,296 | $ 39,072 |
| LIABILITIES | | | |
| Current liabilities | $ 4,883 | $ 4,470 | $ 5,271 |
| Non current liabilities | 11,214 | 13,215 | 13,362 |
| Total liabilities | 16,097 | 17,685 | 18,633 |
| NET ASSETS: | | | |
| Invested in capital assets | 16,835 | 17,595 | 19,628 |
| Unrestricted | 721 | 16 | 811 |
| TOTAL NET ASSETS | $ 17,556 | $ 17,611 | $ 20,439 |

The largest portion of MST's net assets each year (96% at June 30, 2006) is its investment in capital assets (e.g., buses, buildings, improvements, and equipment). MST uses these capital assets to provide services to its patrons, passengers and visitors to the region; consequently, these assets are not available for future spending. The remaining unrestricted net assets (4% at June 30, 2006) may be used to meet MST's ongoing obligations.

## FINANCIAL OPERATIONS HIGHLIGHTS

- Total Revenues before capital contributions increased by 16.5% from $19.0 million to $22.1 million.
- Operating Expenses before depreciation increased by 16.5% from $19.0 million to $22.1 million, primarily as a result of increased wages and materials and fuel costs.
- Capital contributions received in the form of grants from the Federal and State governments increased from $2.3 million in 2005 to $5.2 million in 2006.
- Operating Revenues generally equal Operating Expenditures before depreciation in order to comply with State Transportation Development requirements of MST as a publicly funded transportation entity.

## SUMMARY OF CHANGES IN NET ASSETS ($ in thousands)

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Total revenues | $21,030 | $18,960 | $18,263 |
| Operating expenses | $21,030 | 18,960 | 18,263 |
| Operating loss before depreciation and interest expense | - | - | - |
| Interest expense | 477 | 540 | 603 |
| Loss on disposal of assets | - | - | 1,467 |
| Depreciation | 4,729 | 4,557 | 4,381 |
| Net loss before capital contributions | (5,206) | (5,097) | (6,451) |
| Capital contributions | 5,151 | 2,269 | 3,492 |
| Increase (decrease) in net assets | $ (55) | $ (2,828) | $ (2,959) |

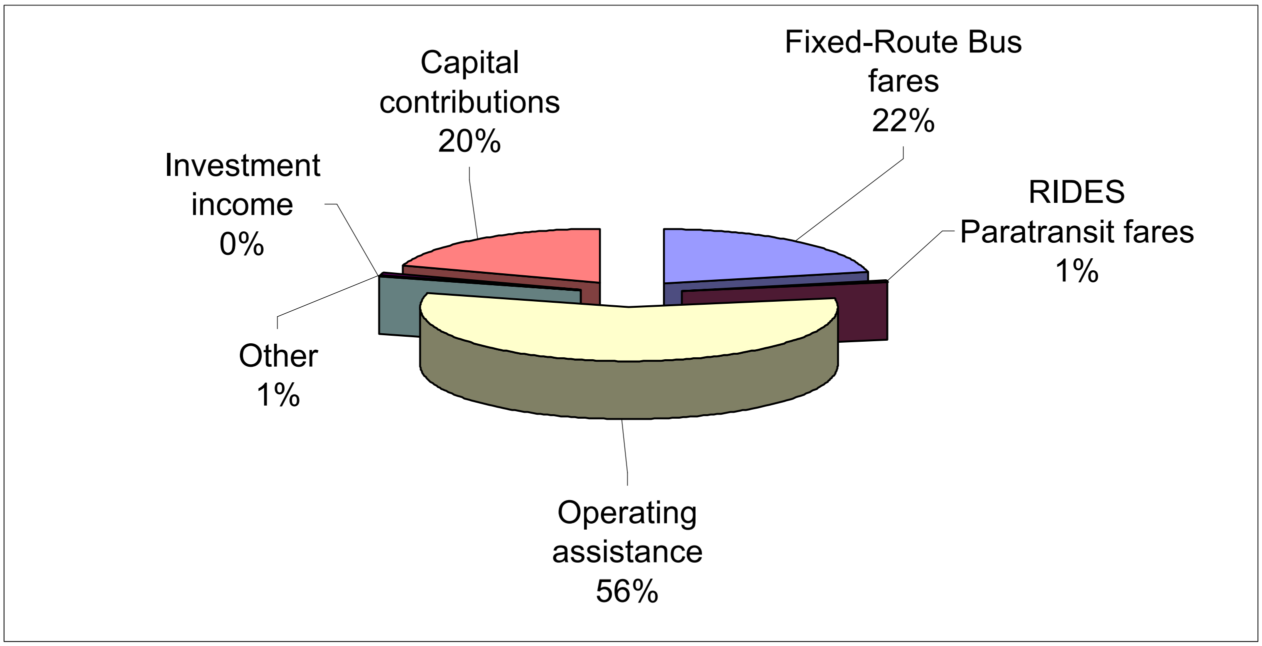
## MST PASSENGER FARES

Passenger fares are set by Board Policy and changed when determined necessary by the Board. There was an increase of $.25 in Fixed-Route fares and $.50 in Paratransit fares in fiscal year 2006.

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Fixed-Route Bus Single Zone Fare | $ 2.00 | $ 1.75 | $ 1.75 |
| RIDES Paratransit Single Zone Fare | $ 2.50 | $ 2.00 | $ 2.00 |

**REVENUES**

The following chart shows the major sources and the percentage of operating revenues for the year ended June 30, 2006 (fares, grants and other):



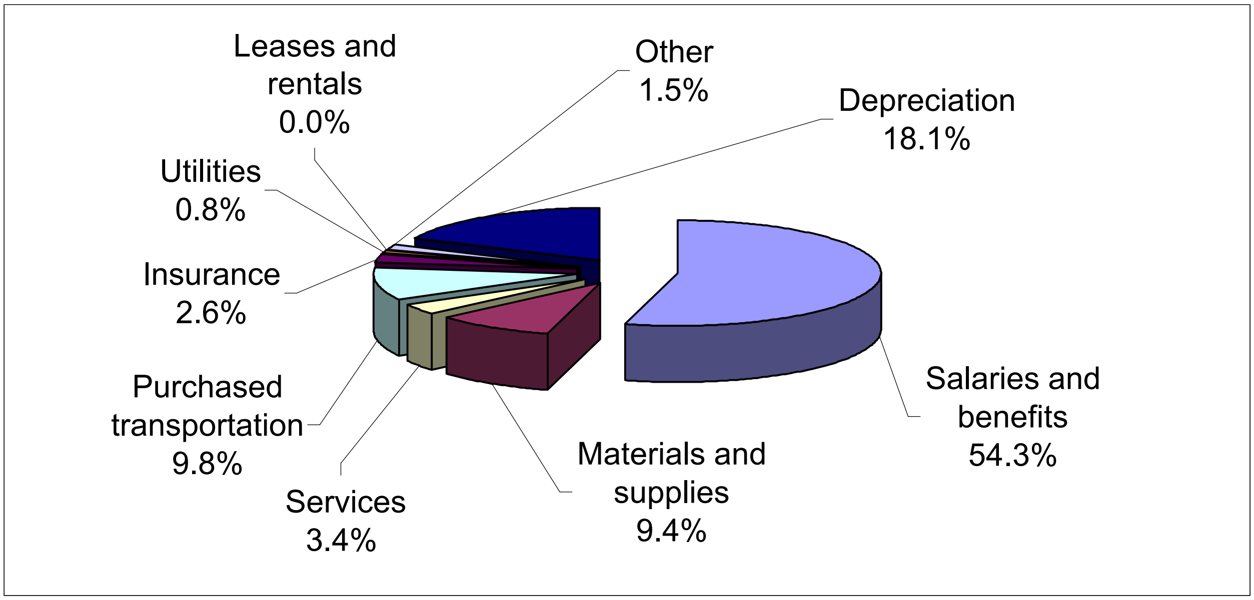

A summary of revenues for the year ended June 30, 2006, including the amount and percentage of change in relation to prior year amounts is as follows ($ in thousands):

| | 2006 Amount | Percent of Total | 2006 Increase (Decrease) From 2005 | Percent Increase/ (Decrease) | 2005 Increase (Decrease) From 2004 | Percent Increase/ (Decrease) |
|---|---|---|---|---|---|---|
| Operating | | | | | | |
| Fixed-Route Bus fares | $ 5,661 | 21.6% | $ 1,049 | 22.7% | $ (47) | (1.0%) |
| RIDES Paratransit fares | 156 | 0.6% | (18) | (10.3%) | (2) | (1.1%) |
| Total Operating | 5,817 | 22.2% | 1,031 | 21.5% | (49) | (1.0%) |
| Nonoperating: | | | | | - | |
| Federal grants | 5,977 | 22.8% | 593 | 11.0% | (325) | (5.7%) |
| Local Transportation Fund | 8,926 | 34.1% | 432 | 5.1% | 889 | 11.7% |
| Investment income | 97 | 0.4% | 50 | 106.4% | 6 | 14.6% |
| Other | 213 | 0.8% | (35) | (14.1%) | 176 | 244.4% |
| Total Nonoperating | 15,213 | 58.1% | 1,040 | 7.3% | 746 | 5.6% |
| Capital contributions | 5,151 | 19.7% | 2,881 | 126.9% | (1,222) | (35.0%) |
| TOTAL REVENUES | $ 26,181 | 100.0% | $ 4,952 | 23.3% | $ (525) | (2.4%) |

The operating assistance increase is mainly attributable to the increase Transportation Development Act assistance.

**EXPENSES**

The following chart shows the major cost categories and the percentage of operating expenses for the year ended June 30, 2006:




A summary of expenses for the year ended June 30, 2006, including the amount and percentage of change in relation to prior year amounts is as follows ($ in thousands):

| | 2006 Amount | Percent of Total | 2006 Increase (Decrease) From 2005 | Percent Increase/ (Decrease) | 2005 Increase (Decrease) From 2004 | Percent Increase/ (Decrease) |
|---|---|---|---|---|---|---|
| Operating: | | | | | | |
| Salaries and benefits | $14,157 | 54.3% | $1,575 | 12.5% | $658 | 5.5% |
| Materials and supplies | 2,445 | 9.4% | 254 | 11.6% | 299 | 15.8% |
| Professional and Technical Services | 877 | 3.4% | 121 | 16.0% | (2) | (0.3%) |
| Purchased transportation | 2,566 | 9.8% | 10 | 0.4% | (76) | (2.9%) |
| Insurance | 688 | 2.6% | 396 | 135.6% | (161) | (35.5%) |
| Utilities | 212 | 0.8% | (21) | -9.0% | (11) | (4.5%) |
| Leases and rentals | 9 | 0.0% | 1 | 12.5% | (3) | (27.3%) |
| Other | 393 | 1.5% | 51 | 14.9% | (6) | (1.7%) |
| Total operating expenses before depreciation | 21,347 | 81.9% | 2,387 | 12.6% | 698 | 3.8% |
| Depreciation | 4,729 | 18.1% | 172 | 3.8% | 176 | 4.0% |
| Total operating expenses | $ 26,076 | 100.0% | $ 2,559 | 10.9% | $ 874 | 3.9% |

## FINANCIAL STATEMENTS

MST's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Government Accounting Standards Board. MST is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and (except for land and construction in progress) are depreciated over their useful lives. See the notes to the financial statements for a summary of MST's significant accounting policies.

## CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

Capital asset acquisitions are capitalized at cost. Acquisitions are funded using Federal grants with matching State funds and local grant funds. Additional information on MST's capital assets can be found in Note 5 of the notes to the financial statements.

## ECONOMIC AND OTHER FACTORS

MST is continuing its commitment to its mission of leading, advocating and delivering quality public transportation. In carrying out this mission, MST provides fixed-route bus and paratransit service and carries out these activities in a cost-effective, fiscally responsible manner. Furthermore, MST recognizes its responsibility to work with federal, state, regional, and local governments and agencies to best meet the transportation needs of the people, communities, and businesses of Monterey County and the Central Coast areas.

The financial condition of MST is strong and the economic outlook of the service area is positive in the long run. MST supports its activity primarily with transit fares and local transportation funds. Federal funding of operations is a major funding source. Steps have been taken to back a measure to receive support from a direct sales tax. MST is also developing a strategy to implement a step increase in fares over multiple years, rather than a single increase every four to six years.

Accelerated capital investment in transit coaches has been accomplished by arranging lease financing of $15 million over ten years for 46 buses. These coaches began arriving in fiscal year 2002 and all were on the road and provided service in 2004. The $3.5 million Advanced Communication System, which replaces a twenty-year-old radio system, went on-line in October 2002, and is the core for more sophisticated service in the future. Federal funding for Intelligent Transportation Systems has been allocated to MST, and represents the next phase of systems integration. A software contract was awarded in July 2004 for the first phase of this project to include run cutting, scheduling, rostering, dispatching and timekeeping. The second phase including fleet maintenance and inventory control was initiated during the fiscal year. The third phase, which will include the financial interface, will begin in this fiscal year and completed in the next fiscal year – 2007.

## ADDDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide MST's customers, stakeholders and other interested parties with an overview of MST's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Controller at One Ryan Ranch Road, Monterey, California 93940-5795.

## MONTEREY-SALINAS TRANSIT

## STATEMENTS OF NET ASSETS
## JUNE 30, 2006 AND 2005

| ASSETS | 2006 | 2005 |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash and investments | $ 5,189,822 | $ 541,580 |
| Operating grants receivable | 233,738 | 5,146,659 |
| Capital grants receivable | 543,226 | 52,375 |
| Material and supplies, at cost | 320,720 | 296,115 |
| Prepaid expenses | 119,830 | 196,087 |
| Other receivables | 1,210,211 | 830,179 |
| Total current assets | 7,617,547 | 7,062,995 |
| | | |
| PROPERTY, PLANT, AND EQUIPMENT: | | |
| Land | 975,643 | 975,644 |
| Buses | 29,311,111 | 28,583,619 |
| Shop, office and other equipment | 18,177,700 | 17,493,201 |
| Total | 48,464,454 | 47,052,464 |
| Accumulated depreciation | (26,458,031) | (21,999,494) |
| Construction in progress | 4,029,002 | 3,179,923 |
| Property, plant and equipment - net | 26,035,425 | 28,232,893 |
| | | |
| TOTAL ASSETS | $ 33,652,972 | $ 35,295,888 |
| | | |
| LIABILITIES AND CAPITAL | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 807,865 | $ 803,155 |
| Accrued liabilities | 889,070 | 1,035,017 |
| Self-insurance liabilities | 1,681,265 | 1,194,025 |
| Current portion of long-term financing agreement | 1,504,905 | 1,437,434 |
| Total current liabilities | 4,883,105 | 4,469,631 |
| | | |
| NONCURRENT LIABILITIES | | |
| Deferred credits | 3,518,251 | 4,014,829 |
| Obligation under financing agreement | 7,695,506 | 9,200,410 |
| Total noncurrent liabilities | 11,213,757 | 13,215,239 |
| | | |
| TOTAL LIABILITIES | 16,096,862 | 17,684,870 |
| | | |
| NET ASSETS: | | |
| Invested in capital assets net of related debt | 16,835,014 | 17,595,049 |
| Unrestricted | 721,096 | 15,969 |
| TOTAL NET ASSETS | $ 17,556,110 | $ 17,611,018 |

*See notes to financial statements.*

# MONTEREY-SALINAS TRANSIT

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2006 AND 2005

| | 2006 | 2005 |
|---|---|---|
| OPERATING REVENUES: | | |
| Fares | $ 5,816,967 | $ 4,786,573 |
| OPERATING EXPENSES: | | |
| Salaries and benefits | 13,839,158 | 12,581,670 |
| Materials and supplies | 2,445,101 | 2,191,457 |
| Professional and technical services | 877,213 | 756,390 |
| Purchased transportation | 2,566,443 | 2,555,542 |
| Insurance | 688,928 | 291,687 |
| Utilities | 211,685 | 233,008 |
| Leases and rentals | 9,213 | 7,897 |
| Other | 392,406 | 341,935 |
| Total operating expense | 21,030,147 | 18,959,586 |
| Operating loss before depreciation | (15,213,180) | (14,173,013) |
| DEPRECIATION | 4,728,480 | 4,557,096 |
| OPERATING LOSS | (19,941,660) | (18,730,109) |
| NON-OPERATING REVENUES AND EXPENSES | | |
| Operating assistance: | | |
| Federal grants | 5,977,063 | 5,383,818 |
| Local transportation fund | 8,925,942 | 8,493,960 |
| Interest expense | (477,113) | (540,247) |
| Interest income | 96,611 | 46,822 |
| Other | 213,564 | 248,413 |
| Total non-operating revenues | 14,736,067 | 13,632,766 |
| NET LOSS BEFORE CAPITAL CONTRIBUTIONS | (5,205,593) | (5,097,343) |
| CAPITAL CONTRIBUTIONS | 5,150,685 | 2,269,566 |
| CHANGE IN NET ASSETS | (54,908) | (2,827,777) |
| NET ASSETS, Beginning of year | 17,611,018 | 20,438,795 |
| NET ASSETS, End of year | $ 17,556,110 | $ 17,611,018 |

*See notes to financial statements.*

**MONTEREY-SALINAS TRANSIT**

## STATEMENTS OF CASH FLOWS
## YEARS ENDED JUNE 30, 2006 AND 2005

| | 2006 | 2005 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from fares | $ 5,436,934 | $ 4,598,364 |
| Payments to employees | (14,904,893) | (12,617,618) |
| Payments to vendors for services | (6,275,497) | (5,990,102) |
| Payments for insurance claims and premiums | 940,304 | (838,685) |
| Other | (178,732) | 245,643 |
| Net cash used in operating activities | (14,981,884) | (14,602,398) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | |
| Operating grants received | 14,406,427 | 13,607,327 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Capital grants received | 9,572,646 | 2,997,140 |
| Interest payments | (477,113) | (540,247) |
| Payments under long-term financing agreement | (1,437,433) | (1,372,990) |
| Purchase of property, plant and equipment net of related debt | (2,531,012) | (1,151,417) |
| Net cash provided by capital and related financing activities | 5,127,088 | (67,514) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest received | 96,611 | 46,822 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 4,648,242 | (1,015,763) |
| CASH AND CASH EQUIVALENTS, Beginning of year | 541,580 | 1,557,343 |
| CASH AND CASH EQUIVALENTS, End of year | $ 5,189,822 | $ 541,580 |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES | | |
| Operating loss | $ (19,941,660) | $ (18,730,109) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 4,728,480 | 4,557,096 |
| Other income | 213,564 | 248,413 |
| Effect of changes in: | | |
| Materials and supplies | (24,605) | (19,026) |
| Prepaid expenses | 76,257 | (115,520) |
| Receivables | (380,032) | (188,209) |
| Accounts payable | 4,710 | 227,903 |
| Accrued liabilities | (145,838) | (35,948) |
| Self-insurance liabilities | 487,240 | (546,998) |
| Net cash used in operating activities | $ (14,981,884) | $ (14,602,398) |

*See notes to financial statements.*

I. ORGANIZATION

Monterey-Salinas Transit (MST) was created July 1, 1981 through the merger of Monterey Peninsula Transit and Salinas Transit System under a joint exercise of powers agreement to provide, either directly or through contract, public transportation services within certain areas of the County of Monterey and the Cities of Carmel-by-the-Sea, Del Rey Oaks, Marina, Monterey, Pacific Grove, Seaside and Salinas. MST provides bus services to those areas and is governed by a Board of Directors composed of representatives of the member jurisdictions. In addition, effective July 1, 1996, the administration of the RIDES program was transferred to MST from the County of Monterey. The RIDES program fulfills MST's obligation, under the Americans with Disabilities Act, to provide complementary Paratransit service. The RIDES program is a "curb-to-curb" transportation program for persons with disabilities unable to use fixed-route public transit.

II. SIGNIFICANT ACCOUNTING POLICIES

*The Financial Reporting Entity* - Although the nucleus of a financial reporting entity usually is a primary government, an organization other than primary government, such as a stand-alone government, may serve as the nucleus for its financial reporting entity when the stand-alone government provides separately issued financial statements. A stand-alone government is a legally separate governmental organization that does not have a separately elected governing body and does not meet the definition of a component unit. Monterey-Salinas Transit meets the criteria as a stand-alone government, and accordingly, is accounted for and reported on as though it were a primary government.

*Basis of Accounting* - The MST is a single enterprise fund and maintains its records on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred. The MST has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

*Implementation of Governmental Accounting Standards Board Statements*

*GASB Statement No. 42* - In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement requires governments to measure, recognize, and disclose the effects of capital asset impairments in their financial statements when it occurs. This statement also clarifies and establishes accounting requirements for insurance recoveries, including those associated with capital asset impairment. This statement is not effective until June 30, 2006. This statement did not have an impact on the Authority's financial statements..

*GASB Statement No. 43* - In April 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement establishes accounting and financial reporting standards for plans that provide postemployment benefits other than pension benefits (known as other postemployment benefits or OPEB). This statement is not effective until June 30, 2007. MST has not determined its effect on the financial statements.

*GASB Statement No. 44* - In May 2004, the GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section-an amendment of NCGA Statement No. 1*. This Statement amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles that* guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. The MST adopted the provisions of GASB 44 during fiscal year 2005-2006.

*GASB Statement No. 45* - In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This statement is not effective until June 30, 2008. MST has not determined its effect on the financial statements.

*GASB Statement No. 46* - In December 2004, the GASB issued Statement No. 46, Net Assets Restricted by Enabling Legislation-an amendment of GASB Statement No. 34. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government can compel a government to honor. This statement is effective for periods beginning after June 15, 2006. This statement did not have an impact on the Authority's financial statements.

*GASB Statement No. 47* - In June 2006, the GASB issued Statement No. 47, Accounting for Termination Benefits. This Statement establishes accounting guidance and disclosure requirements for termination benefit arrangements. This statement is effective in two parts. For termination benefits provided through an existing defined benefit other post employment benefit plan (OPEB), the provisions should be implemented simultaneously with GASB Statement No. 45. For all other termination benefits, this Statement is effective for periods beginning after June 15, 2006. MST has not determined its effect on the financial statements.

*Cash equivalents* include demand deposits and amounts invested in the State treasurer's investment pool (the State of California Local Agency Investment Fund), which are available upon demand. Investments in the State of California Local Agency Investment Fund are stated at amortized cost which approximates fair value.

*Grants* for operating assistance and capital acquisitions are included in revenue in the period in which the grant was earned. Federal capital grant funds are claimed on a reimbursement basis and receivables for grant funds are recorded as the related obligations are incurred. Capital grant funds advanced but not yet earned are treated as deferred credits. Also, operating funds advanced from the Transportation Agency for Monterey County for working capital are treated as deferred credits until earned.

*Inventories* consist primarily of bus replacement parts and fuel and are stated at average cost. Inventories are charged to expense at the time that individual items are withdrawn from inventory.

*Property, plant, and equipment* is stated at cost and depreciated using the straight-line method over the following estimated useful lives:

| | |
|---|---|
| Buses | 8 to 12 years |
| Shop, office, and other equipment | 3 to 30 years |

MST's capitalization threshold is $500.

*Self-Insurance Liabilities* – Claims liabilities, including claims incurred but not reported, are measured based on the estimated ultimate cost of settling the claims (including the effects of inflation and other societal and economic factors), using past experience adjusted for current trends, and any other factors that would modify past experience.

*Estimates* – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities. Significant estimates include the valuation of self-insurance liabilities and the depreciable lives of property, plant and equipment. Actual results could differ from those estimates.

*Operating and Non-Operating Revenue* – MST distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from directly providing services in connection with MST's principal operation of bus transit services. These revenues are primarily passenger fares. Operating expenses include the cost of sales and services, administrative expenses, contracted services and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Reclassifications* – Certain reclassifications have been made to the prior year financial statements in order to confirm to the current year presentation.

III. OPERATING ASSISTANCE

MST receives allocations of local transportation funds pursuant to the Transportation Development Act of 1971. These funds are generated within Monterey County and are allocated based on annual claims filed by MST and approved by the Transportation Agency for Monterey County (TAMC)

MST also receives allocated Federal operating assistance funds pursuant to Sections 5303, 5307 and 5311 of the Federal Transit Act of 1964. Such funds are apportioned to the local urbanized area by the Federal Transit Authority (FTA). Expenditures of Federal operating assistance funds are subject to final audit and approval by the FTA.

Operating grant activity for 2006 is summarized as follows:

| | Federal Grants | Local Transportation Fund | Total |
|---|---|---|---|
| Amount recognized as revenue | $ 5,977,063 | $ 8,925,942 | $ 14,903,005 |
| Amount received prior to June 30, 2006 | (5,743,325) | (8,925,942) | (14,669,267) |
| Grants receivable at June 30, 2006 | $ 233,738 | $ - | $ 233,738 |

Operating grant activity for 2005 is summarized as follows:

| | Federal Grants | Local Transportation Fund | Total |
|---|---|---|---|
| Amount recognized as revenue | $ 5,383,818 | $ 8,493,960 | $ 13,877,778 |
| Amount received prior to June 30, 2005 | (237,159) | (8,493,960) | (8,731,119) |
| Grants receivable at June 30, 2005 | $ 5,146,659 | $ - | $ 5,146,659 |

IV. DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2006 and 2005, consists of the following:

| | 2006 | 2005 |
|---|---|---|
| Cash on hands and in banks | $ (463,641) | $ 675 |
| Investments in Local Agency Investment Fund | 5,653,463 | 540,905 |
| | $ 5,189,822 | $ 541,580 |

*Policies and Practices*

The MST is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

*General Authorizations*

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

| Authorized Investment Type | Maximum Maturity | Maximum Percentage Of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| Local Agency Bonds | 5 years | None | None |
| U.S. Treasury Obligations | 5 years | None | None |
| U.S. Agency Securities | 5 years | None | None |
| Banker's Acceptances | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% | 10% |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| Repurchase Agreements | 1 year | None | None |
| Reverse Repurchase Agreements | 92 days | 20% of base value | None |
| Medium-Term Notes | 5 years | 30% | None |
| Mutual Funds | N/A | 20% | 10% |
| Money Market Mutual Funds | N/A | 20% | 10% |
| Mortgage Pass-Through Securities | 5 years | 20% | None |
| Country Pooled Investment Funds | N/A | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |
| JPA Pools (other investment pools) | N/A | None | None |

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The MST manages its exposure to interest rate risk by depositing substantially all of its funds in the Local Agency Investment Fund Pool (LAIF). The fair value of the deposits with the LAIF at June 30, 2006 and 2005 was $5,643,207 and $542,126 respectively.

*Specific Identification*

Information about the sensitivity of the fair values of the MST's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the MST's investment by maturity:

| | Fiscal Year | Fair Value | Maturity |
|---|---|---|---|
| Local Agency Investment Fund (LAIF) | 2006 | $ 5,643,204 | 187 Days |
| Local Agency Investment Fund (LAIF) | 2005 | $ 542,126 | 133 Days |

*Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. MST does not have any investments that are rated.

*Custodial Credit Risk - Deposits*

This is the risk that in the event of a bank failure, the MST's deposits may not be returned to it. The MST does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. As of June 30, 2006 and 2005, MST's bank balances of $283,048 and $306,615, respectively, were exposed to custodial credit risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the MST.

5. CAPITAL ASSETS

Capital asset activity for the fiscal years ended June 30, 2006 and 2005, is as follows:

| | Beginning Balance July 1, 2005 | Additions | Retirements/ Reclassifications | Ending Balance June 30, 2006 |
|---|---|---|---|---|
| Land | $ 975,643 | $ - | $ - | $ 975,643 |
| Construction in progress | 3,179,923 | 849,079 | - | 4,029,002 |
| Buses | 28,583,619 | 727,493 | - | 29,311,112 |
| Shop, office and other equipment | 17,493,201 | 684,500 | - | 18,177,701 |
| Totals at historical cost | 50,232,386 | 2,261,072 | - | 52,493,458 |
| Accumulated depreciation | | | | |
| Buses | 10,174,710 | 2,760,175 | - | 12,934,885 |
| Shop, office and other equipment | 11,824,784 | 1,698,362 | - | 13,523,146 |
| Total accumulated depreciation | 21,999,494 | 4,458,537 | - | 26,458,031 |
| Capital assets, net | $ 28,232,892 | $ (2,197,465) | $ - | $ 26,035,427 |

| CAPITAL ASSETS | Beginning Balance July 1, 2004 | Additions | Retirements/ Reclassifications | Ending Balance July 1, 2005 |
|---|---|---|---|---|
| Land | $ 975,643 | $ - | $ - | $ 975,643 |
| Construction in progress | 2,711,742 | 468,181 | - | 3,179,923 |
| Buses | 28,649,737 | 277,440 | (343,558) | 28,583,619 |
| Shop, office and other equipment | 18,457,813 | 405,463 | (1,370,075) | 17,493,201 |
| Totals at historical cost | 50,794,935 | 1,151,084 | (1,713,633) | 50,232,386 |
| Accumulated depreciation | | | | |
| Buses | 8,045,900 | 2,446,692 | (317,882) | 10,174,710 |
| Shop, office and other equipment | 11,110,464 | 2,110,404 | (1,396,084) | 11,824,784 |
| Total accumulated depreciation | 19,156,364 | 4,557,096 | (1,713,966) | 21,999,494 |
| Capital assets, net | $ 31,638,571 | $ (3,406,012) | $ 333 | $ 28,232,892 |

6. SELF-INSURANCE

MST has self-insurance programs for the following risks:

- Liability to a maximum of $250,000 per incident, over which coverage is provided to $500,000 per incident by the California Transit Insurance Pool (CalTIP) (see Note 8), and from $500,000 to $5,500,000 per incident coverage is provided by a private carrier through CalTIP.

- Physical damage to a maximum of $5,000 bus and $500 for support vehicles per incident, over which coverage is provided to $100,000 per incident by CalTIP, and from $100,000 to $5,000,000 per incident, coverage is provided by a private carrier through CalTIP.

- Workers compensation to a maximum of $350,000 per incident, over which coverage is provided to $5,000,000 by a private carrier.

MST does not carry insurance for risks in excess of the above stated limits. There were no settlements that exceeded the insurance coverage in the past three years.

Estimated self-insurance liabilities are based on the results of actuarial valuations and include amounts for claims incurred but not reported. Estimated self-insurance liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economics social factors.

Expenses related to such self-insurance risks are classified on the statement of revenues and expenses as salaries and benefits for workers compensation and insurance expense for general liability and physical damage.

Changes in the balance of estimated self-insurance liabilities during the fiscal years ended June 30, 2006 and 2005 are approximately as follows:

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Estimated self-insurance liabilities, beginning of year | $ 1,194,025 | $ 1,741,023 | $ 1,590,567 |
| Current year claims and changes in estimates | 1,799,597 | 357,751 | 1,484,181 |
| Claim payments | (1,220,962) | (837,060) | (1,265,725) |
| Legal, administrative and other expenses | (91,395) | (67,689) | (68,000) |
| Estimated self-insurance liabilities, end of year | $ 1,681,265 | $ 1,194,025 | $ 1,741,023 |

7. BUS PURCHASE FINANCING AGREEMENT

In September 2002, MST entered into a bus purchase financing agreement with Gillig Corporation in the amount of $15,180,000 with interest rate of 4.64 percent. The payments end in 2012. The payments will be financed from MST's federal and local capital grants.

| | Original Balance | Balance as of July 1, 2005 | Paid | Balance as of June 30, 2006 |
|---|---|---|---|---|
| Bus purchase financing agreement | $ 15,180,000 | $ 10,637,844 | $ 1,437,433 | $ 9,200,411 |

Future minimum payments are as follows:

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2007 | $ 1,504,905 | $ 409,642 | $ 1,914,547 |
| 2008 | 1,575,543 | 339,005 | 1,914,547 |
| 2009 | 1,649,496 | 265,052 | 1,914,547 |
| 2010 | 1,726,920 | 187,627 | 1,914,547 |
| 2011 | 1,807,979 | 106,569 | 1,914,547 |
| 2012 | 935,569 | 21,705 | 957,274 |
| | $ 9,200,411 | $ 1,329,599 | $ 10,530,010 |

8. CALTIP JOINT POWERS AGREEMENT

MST participates in the California Transit Insurance Pool (CalTIP), a joint powers agreement created to provide liability and physical damage insurance to its members through an insurance pool. MST paid premiums to CalTIP of approximately $280,327 and $327,565 in the fiscal years ended June 30, 2006 and 2005, respectively.

Condensed financial information of CalTIP (prepared using the accrual basis of accounting) for the year ended April 30, 2005 (most recent available information) is as follows:

| | Unaudited |
|---|---|
| Cash and investments | $ 14,592,327 |
| Other assets | 454,678 |
| Total Assets | $ 15,047,005 |
| | |
| Loss reserves | $ 8,771,224 |
| Accounts payable and accrued liabilities | 2,431,008 |
| Retained earnings | 3,844,773 |
| Total liabilities and equity | $ 15,047,005 |
| | |
| Total revenues | $ 7,459,957 |
| Total expenses | (5,791,283) |
| Net income | $ 1,668,674 |

9. COMPENSATED ABSENCES

Accumulated unpaid personal leave, consisting of vacation, holiday and sick pay, have been accrued at June 30, 2006 and 2005 in the amounts of $765,772 and $692,406, respectively. The MST's liability for compensated absences typically is liquidated within one year. MST accrued $962,205 and paid $888,839 during fiscal year 2005-2006.

10. EMPLOYEES' RETIREMENT PLAN

*Plan Description*

MST contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating entities within the State of California. The benefits for the public agencies are established by contract with CalPERS in accordance with the provisions of the Public Employees Retirement Law.

CalPERS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for CalPERS. A copy of that report may be obtained by writing to CalPERS, Central Supply, P.O. Box 942715, Sacramento, CA 94229-2715.

*Funding Policy*

Employees are required to contribute 7% of covered salary to CalPERS. MST is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants and adopted by the CalPERS Board of Administration. For the fiscal years ended June 30, 2006, 2005 and 2004 the employer contribution rate was 5.938%, 4.552% and 0%, respectively. MST, as part of its compensation to employees, pays the employees' contributions.

*Annual Pension Cost*

For the fiscal years ended June 30, 2006, 2005 and 2004, MST's annual pension cost of $1,176,706, $401,866 and $0 respectively for CalPERS was equal to MST's required and actual contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return, and (b) projected salary increases that vary by duration of service. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of MST's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. Beginning July 1, 1997, the difference between the actuarial value of assets and the actuarial accrued liability is being amortized over a period ending June 30, 2011.

*Three-Year Trend Information*

| Fiscal Year End | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 6/30/04 | $ - | N/A | $ - |
| 6/30/05 | $ 401,866 | 100% | $ - |
| 6/30/06 | $ 1,176,706 | 100% | $ - |

*REQUIRED SUPPLEMENTARY INFORMATION*

**MONTEREY-SALINAS TRANSIT**

**MISCELLANEOUS PLAN OF THE**
**CALIFORNIA PUBLIC EMPLOYEE-RETIREMENT SYSTEM**
**SCHEDULE OF FUNDING PROGRESS**
**YEAR ENDED JUNE 30, 2006**

| Actuarial * Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (Entry Age Normal) | Overfunded Actuarial Accrued Liability (OAAL) | Funded Status | Annual Covered Payroll | OAAL as a Percentage Covered Payroll |
|---|---|---|---|---|---|---|
| 6/30/03 | $ 24,632,183 | $ 22,061,514 | $ 2,570,669 | 111.7% | $ 8,899,850 | 28.9% |
| 6/30/04 | $ 26,579,282 | $ 24,837,994 | $ 1,741,288 | 107.0% | $ 8,828,340 | 19.7% |
| 6/30/05 | $ 28,930,928 | $ 27,444,474 | $ 1,486,454 | 105.4% | $ 8,681,292 | 17.1% |

* Most recent information available

## *OTHER SUPPLEMENTAL INFORMATION*

**MONTEREY-SALINAS TRANSIT**

**CONSOLIDATING SCHEDULE OF NET ASSETS BY PROGRAM**
**JUNE 30, 2006**

| ASSETS | FIXED-ROUTE BUS SERVICE | RIDES | ELIMINATIONS | TOTAL |
|---|---|---|---|---|
| CURRENT ASSETS: | | | | |
| Cash and investments | $ 5,161,766 | $ 28,056 | $ - | $ 5,189,822 |
| Operating grants receivable | 233,738 | - | - | 233,738 |
| Capital grants receivable | 543,226 | - | - | 543,226 |
| Materials and supplies, at cost | 320,720 | - | - | 320,720 |
| Prepaid expenses | 119,830 | - | - | 119,830 |
| Other receivables | 1,193,545 | 16,666 | - | 1,210,211 |
| Inter-program receivable | - | 328,331 | (328,331) | - |
| Total current assets | 7,572,825 | 373,053 | (328,331) | 7,617,547 |
| PROPERTY, PLANT AND EQUIPMENT: | | | | |
| Land | 975,643 | - | - | 975,643 |
| Buses | 28,205,044 | 1,106,067 | - | 29,311,111 |
| Shop, office and other equipment | 18,177,700 | - | - | 18,177,700 |
| Total | 47,358,387 | 1,106,067 | - | 48,464,454 |
| Accumulated depreciation | (25,785,467) | (672,564) | - | (26,458,031) |
| Construction in progress | 3,857,148 | 171,854 | - | 4,029,002 |
| Property, plant and equipment - net | 25,430,068 | 605,357 | - | 26,035,425 |
| TOTAL ASSETS | $ 33,002,893 | $ 978,410 | $ (328,331) | $ 33,652,972 |

| LIABILITIES AND NET ASSETS | FIXED-ROUTE BUS SERVICE | RIDES | ELIMINATIONS | TOTAL |
|---|---|---|---|---|
| CURRENT LIABILITIES: | | | | |
| Accounts payable | $ 807,865 | $ - | $ - | $ 807,865 |
| Accrued liabilities | 889,070 | - | - | 889,070 |
| Self-insurance liabilities | 1,681,265 | - | - | 1,681,265 |
| Current portion of financing agreement | 1,504,905 | - | - | 1,504,905 |
| Inter-program payable | 328,331 | - | (328,331) | - |
| Total current liabilities | 5,211,436 | - | (328,331) | 4,883,105 |
| NONCURRENT LIABILITIES | | | | |
| Deferred credits | 3,032,992 | 485,259 | - | 3,518,251 |
| Obligation under financing agreement | 7,695,506 | - | - | 7,695,506 |
| Total noncurrent liabilities | 10,728,498 | 485,259 | - | 11,213,757 |
| TOTAL LIABILITIES | 15,939,934 | 485,259 | (328,331) | 16,096,862 |
| NET ASSETS: | | | | |
| Invested in capital assets net of related debt | 16,229,657 | 605,357 | - | 16,835,014 |
| Unrestricted | 833,302 | (112,206) | - | 721,096 |
| TOTAL NET ASSETS | $ 17,062,959 | $ 493,151 | $ - | $ 17,556,110 |

# MONTEREY-SALINAS TRANSIT

## CONSOLIDATING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN THE NET ASSETS BY PROGRAM
## YEAR ENDED JUNE 30, 2006

| | FIXED-ROUTE BUS SERVICE | RIDES | ELIMINATIONS | TOTAL |
|---|---|---|---|---|
| REVENUES: | | | | |
| Fares | $ 5,660,573 | $ 156,394 | $ - | $ 5,816,967 |
| Operating assistance: | | | | |
| Federal grants | 5,718,063 | 259,000 | - | 5,977,063 |
| Local Transportation Fund | 7,713,092 | 1,212,850 | - | 8,925,942 |
| Interest income | 96,525 | 86 | - | 96,611 |
| Other | 213,564 | - | - | 213,564 |
| Total | 19,401,817 | 1,628,330 | - | 21,030,147 |
| EXPENSES: | | | | |
| Salaries and benefits | 13,742,194 | 96,964 | - | 13,839,158 |
| Materials and supplies | 2,442,640 | 2,461 | - | 2,445,101 |
| Professional and technical services | 849,081 | 28,132 | - | 877,213 |
| Purchased transportation | 1,067,115 | 1,499,328 | - | 2,566,443 |
| Insurance | 688,928 | - | - | 688,928 |
| Utilities | 211,685 | - | - | 211,685 |
| Leases and rentals | 9,213 | - | - | 9,213 |
| Other | 390,961 | 1,445 | - | 392,406 |
| Total | 19,401,817 | 1,628,330 | - | 21,030,147 |
| EXCESS OF EXPENSES BEFORE CAPITAL AND FINANCING ITEMS OVER REVENUES | - | - | - | - |
| INCOME (EXPENSE) FROM CAPITAL AND RELATED FINANCING | | | | |
| Interest expense | (477,113) | - | - | (477,113) |
| Loss on disposal of assets | - | - | - | - |
| Capital contributions | 5,005,085 | 145,600 | - | 5,150,685 |
| Depreciation | (4,582,885) | (145,595) | - | (4,728,480) |
| Total | (54,913) | 5 | - | (54,908) |
| CHANGE IN NET ASSETS | $ (54,913) | $ 5 | $ - | $ (54,908) |

## MONTEREY-SALINAS TRANSIT

## CONSOLIDATING SCHEDULE OF CASH FLOWS BY PROGRAM
## YEAR ENDED JUNE 30, 2006

| | FIXED ROUTE BUS SERVICE | RIDES | TOTAL |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received from fares | $ 5,280,491 | $ 156,443 | $ 5,436,934 |
| Payments to employees | (14,611,685) | (293,208) | (14,904,893) |
| Payments to vendors for services | (4,743,082) | (1,532,415) | (6,275,497) |
| Payments for insurance claims and premiums | 940,304 | - | 940,304 |
| Other | (177,287) | (1,445) | (178,732) |
| Net cash used in operating activities | (13,311,259) | (1,670,625) | (14,981,884) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Operating assistance received | 12,934,577 | 1,471,850 | 14,406,427 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Capital grant funds received | 9,158,427 | 414,219 | 9,572,646 |
| Interest Payments | (477,113) | - | (477,113) |
| Payments under long-term financing agreement | (1,437,433) | - | (1,437,433) |
| Purchases of property, plant and equipment net of depreciation | (2,338,059) | (192,953) | (2,531,012) |
| Net cash provided by capital and related financing activities | 4,905,822 | 221,266 | 5,127,088 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest received | 96,525 | 86 | 96,611 |
| NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS | 4,625,665 | 22,577 | 4,648,242 |
| CASH AND EQUIVALENTS, BEGINNING OF YEAR | 536,101 | 5,479 | 541,580 |
| CASH AND EQUIVALENTS, END OF YEAR | $ 5,161,766 | $ 28,056 | $ 5,189,822 |

# MONTEREY-SALINAS TRANSIT

## BUDGETARY COMPARISON
## YEAR ENDED JUNE 30, 2006

| | Budgeted Amounts | | | Variances --- Favorable (Unfavorable) | |
|---|---|---|---|---|---|
| | Original | Final | Actual | Original to Actual | Final to Actual |
| REVENUES: | | | | | |
| Fares | $ 4,831,989 | $ 4,831,989 | $ 5,816,967 | $ 984,978 | $ 984,978 |
| Operating assistance: | | | | | |
| Federal grants | 5,437,079 | 5,673,149 | 5,977,063 | 539,984 | 303,914 |
| Local Transportation Fund | 7,929,225 | 7,929,225 | 8,925,942 | 996,717 | 996,717 |
| Interest | 60,000 | 60,000 | 96,611 | 36,611 | 36,611 |
| Other income | 279,139 | 279,139 | 213,564 | (65,575) | (65,575) |
| Total revenues | 18,537,432 | 18,773,502 | 21,030,147 | 2,492,715 | 2,256,645 |
| EXPENSES: | | | | | |
| Salaries and benefits | 12,011,681 | 12,011,681 | 13,839,158 | (1,827,477) | (1,827,477) |
| Materials and supplies | 1,871,544 | 2,107,614 | 2,445,101 | (573,557) | (337,487) |
| Professional and technical services | 882,166 | 882,166 | 877,213 | 4,953 | 4,953 |
| Purchased transportation | 2,609,376 | 2,609,376 | 2,566,443 | 42,933 | 42,933 |
| Insurance | 525,000 | 525,000 | 688,928 | (163,928) | (163,928) |
| Utilities | 221,000 | 221,000 | 211,685 | 9,315 | 9,315 |
| Leases and rentals | 60,800 | 60,800 | 9,213 | 51,587 | 51,587 |
| Other | 355,865 | 355,865 | 392,406 | (36,541) | (36,541) |
| Total expenditures | 18,537,432 | 18,773,502 | 21,030,147 | (2,492,715) | (2,256,645) |
| Excess of expenditures over revenues | - | - | - | - | - |
| INCOME (EXPENSE) FROM CAPITAL AND RELATED FINANCING | | | | | |
| Interest expense | (540,247) | (540,247) | (477,113) | 63,134 | 63,134 |
| Depreciation | (4,159,772) | (4,159,772) | (4,728,480) | (568,708) | (568,708) |
| Capital contributions | 1,064,402 | 2,606,792 | 5,150,685 | 4,086,283 | 2,543,893 |
| Total | (3,635,617) | (2,093,227) | (54,908) | 3,580,709 | 2,038,319 |
| CHANGE IN NET ASSETS | (3,635,617) | (2,093,227) | (54,908) | 3,580,709 | 2,038,319 |
| NET ASSETS, Beginning | 17,611,018 | 17,611,018 | 17,611,018 | - | - |
| NET ASSETS, Ending | $ 13,975,401 | $ 15,517,791 | $ 17,556,110 | $ 3,580,709 | $ 2,038,319 |

# STATISTICAL

### Financial Trends

- Changes in Net Assets
- Net Assets

### Revenue Capacity

- Fixed Route Transportation – Ridership
- Fixed Route Transportation – Bus Passenger Fares
- Revenue Base
- Revenue Rate

### Debt Capacity

- Outstanding Debt
- Per Capita Debt
- Pledged Revenue Coverage

### Demographic and Economic Indicators

- Population
- Total Personal Income
- Per Capita Personal Income
- Unemployment Rates
- Principal Employers

### Operating Information

- Fixed-Route Service
- RIDES
- Employees
- Fixed-Route Fares
- Fleet Information
- Capital Assets

## MONTEREY-SALINAS TRANSIT

## FINANCIAL TRENDS – TEN-YEAR COMPARISON -
**Fiscal Year 1997 through Fiscal Year 2006**
(In thousands)

| FY | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Passenger Fares | $ 3,989 | $ 3,899 | $ 3,985 | $ 3,892 | $ 4,226 | $ 4,670 | $ 4,729 | $ 4,835 | $ 4,787 | $ 5,817 |
| Operating Expenses | 10,034 | 10,413 | 11,309 | 13,380 | 15,189 | 15,888 | 17,705 | 18,262 | 18,960 | 21,030 |
| Depreciation Expense | 1,509 | 2,013 | 2,265 | 2,677 | 2,771 | 3,099 | 3,446 | 4,381 | 4,557 | 4,729 |
| Operating Loss | (7,554) | (8,527) | (9,589) | (12,165) | (13,734) | (14,317) | (16,422) | (17,808) | (18,730) | (19,942) |
| *Nonoperating Revenues (Expenses)* | | | | | | | | | | |
| Federal Funds | 993 | 1,015 | 1,534 | 2,285 | 2,292 | 3,791 | 4,872 | 5,709 | 5,384 | 5,977 |
| Local Transportation Funds | 4,632 | 4,997 | 5,301 | 6,742 | 8,215 | 6,875 | 7,697 | 7,605 | 8,494 | 8,926 |
| Interest Expense | - | - | - | - | - | - | (1,014) | (603) | (540) | (477) |
| Loss on disposal of asset | - | - | - | - | - | - | - | (1,467) | - | - |
| Interest Income | 258 | 239 | 234 | 251 | 277 | 122 | 56 | 41 | 47 | 97 |
| Other Income | 163 | 192 | 255 | 211 | 179 | 430 | 351 | 72 | 248 | 213 |
| Total Nonoperating | 6,046 | 6,443 | 7,324 | 9,489 | 10,963 | 11,218 | 11,962 | 11,357 | 13,633 | 14,736 |
| Net Income (Loss) | (1,508) | (2,084) | (2,265) | (2,676) | (2,771) | (3,099) | (4,460) | (6,451) | (5,097) | (5,206) |
| Capital Contributions | 4,633 | 3,570 | 2,196 | 6,929 | 4,131 | 5,037 | 4,541 | 3,492 | 2,269 | 5,151 |
| Change in Net Assets | $ 3,125 | $ 1,486 | $ (69) | $ 4,253 | $ 1,360 | $ 1,938 | $ 81 | $ (2,959) | $ (2,828) | $ (55) |
| Net Asset Component | | | | | | | | | | |
| Invested in capital assets, net ( | $ 13,987 | $ 15,544 | $ 15,477 | $ 19,787 | $ 21,147 | $ 23,084 | $ 23,209 | $ 19,628 | $ 17,595 | $ 16,835 |
| Unrestricted | 362 | 291 | 289 | 232 | 232 | 232 | 189 | 811 | 16 | 721 |
| Net Assets, End of year | $ 14,349 | $ 15,835 | $ 15,766 | $ 20,019 | $ 21,379 | $ 23,317 | $ 23,398 | $ 20,439 | $ 17,611 | $ 17,556 |

Source: MST's comprehensive annual financial reports (CAFR)

This table shows our operating revenues and expenses, non operating revenues and expenses, contributions, depreciation as well as restrictions of our net assets.

## MONTEREY-SALINAS TRANSIT

## REVENUE CAPACITY
### Fiscal Year 1997 through Fiscal Year 2006

**REVENUE CAPACITY-Revenue Base amd Revenue Rate**

| **Fares are in thousands** | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Passenger Fares | $3,989 | $3,899 | $3,985 | $3,892 | $4,226 | $4,670 | $4,729 | $4,835 | $4,787 | $5,817 |
| Number of Passengers | 3,816 | 3,938 | 4,027 | 4,308 | 4,864 | 4,870 | 4,794 | 4,693 | 4,805 | 4,858 |
| Fare Structure | | | | | | | | | | |
| Full fare: Adult | $ 1.50 | $ 1.50 | $ 1.50 | $ 1.50 | $ 1.50 | $ 1.75 | $ 1.75 | $ 1.75 | $ 1.75 | $ 2.00 |
| Discount fare: Senior, Youth & Disabled | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.85 | 0.85 | 0.85 | 0.85 | 1.00 |

Source: MST's Business Service Department

This table shows passenger fares, number of passengers and each revenue fare structure at MST. The MST does not have major revenue payers as most of the revenues are derived from passenger fares.

## MONTEREY-SALINAS TRANSIT

## DEBT CAPACITY
**Fiscal Year 2003 through Fiscal Year 2006**

Monterey-Salinas Transit financed its first long-term debt in fiscal year 2003 in the form of a 10-year lese obligation for the purchase of 46 buses and trolleys. There were no long-term obligations associated with capital assets between 1997 and 2002.

| | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|
| Ratio of outstanding debt: | | | | |
| As a percent of Personal Income | 0.10% | 0.10% | 0.10% | 0.10% |
| (2005 and 2006 based on 2004 income) | | | | |
| Per Capita (Monterey County) | $ 32.02 | $ 28.53 | $ 25.03 | $ 21.65 |
| | | | | |
| Pledged Revenue Coverage | | | | |
| Available Revenue - Federal and Local Grants | $ 6,174,953 | $ 5,716,716 | $ 5,604,054 | $ 5,899,664 |
| Debt Service | | | | |
| Principal | $ - | $ 1,311,432 | $ 1,372,988 | $ 1,437,434 |
| Interest | 1,014,085 | 603,115 | 540,247 | 477,113 |
| Total | $ 1,014,085 | $ 1,914,547 | $ 1,913,235 | $ 1,914,547 |
| | | | | |
| Coverage | 6.09 | 2.99 | 2.93 | 3.08 |

Source: County of Monterey and MST's comprehensive annual financial reports

This table shows the ability of the MST to issue debt based on the total federal revenue pledged to meet this debt. This table also shows the of the MST's total debt based on the mean personal income for Monterey County.

The MST does not have any overlapping debt with any other government. Additionally, the MST does not have any legal debt limitation.

## MONTEREY-SALINAS TRANSIT

## DEMOGRAPHIC AND ECONOMIC INDICATORS
**Fiscal Year 1997 through Fiscal Year 2006**

| *Fiscal Year* | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Service Area Population** (In thousands) | 370 | 383 | 391 | 399 | 402 | 405 | 416 | 421 | 425 | 425 |
| **Total Personal Income** (In millions) | $9,633 | $10,442 | $11,096 | $11,802 | $12,230 | $12,609 | $13,179 | $ 14,075 | NA | NA |
| **Per Capita Personal Income** | $25,566 | $26,919 | $28,001 | $29,270 | $29,901 | $30,635 | $31,801 | $33,952 | NA | NA |
| **Unemployment Rate** | 10.80% | 10.70% | 9.60% | 9.60% | 9.40% | 10.40% | 10.10% | 9.50% | 5.60% | 5.60% |

NA - Information is not available.

*Source: State Employment Development Department and Federal Bureau of Economic Analysis.*

| Principal Employers in Monterey County | Type of Entity | Employees in 2006 | % of Total Employment | Employees in 2003 | % of Total Employment |
|---|---|---|---|---|---|
| Dole Fresh Vegetables | Agriculture | 4,619 | 2.5% | 3,937 | 2.1% |
| County of Monterey | Government | 4,112 | 2.2% | 4,589 | 2.4% |
| Department of Defense | Government | 3,716 | 2.0% | 3,855 | 2.0% |
| Tanimura & Antle | Agriculture | 2,500 | 1.4% | 2,500 | 1.3% |
| Community Hospital of Monterey | Hospital | 2,134 | 1.2% | 2,017 | 1.1% |
| Salinas Valley Memorial Hospital | Hospital | 2,112 | 1.2% | 1,900 | 1.0% |
| Pebble Beach Company | Hospitality | 1,839 | 1.0% | 1,716 | 0.9% |
| D'Arrigo Brothers Co. | Agriculture | 1,700 | 0.9% | 1,675 | 0.9% |
| HSBC Card Services | Financial | 1,592 | 0.9% | 1,584 | 0.8% |
| Calif. Dept.of Corrections - Soledad | Government | 1,488 | 0.8% | 1,488 | 0.8% |
| Escamilla & Sons | Agriculture | - | - | 1,500 | 0.8% |
| Total | | 25,812 | 14.1% | 26,761 | 14.2% |
| Total County Labor Force | | 183,200 | | 188,125 | |

*Note: Information was not available for these employers for 1997. Data for 2006 was provided by sources of the County of Monterey Auditor-Controller's Department.*

This table shows the top ten employers in Monterey County. This table also shows the service area population, personal income and unemployment rates in Monterey County.

## MONTEREY-SALINAS TRANSIT

## OPERATING INFORMATION – MISCALLANEOUS INFORMATION
**Fiscal Year 1997 through Fiscal Year 2006**

| FY | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Fixed-Route Service:*** | | | | | | | | | | |
| Net Cost/Passenger | 2.42 | 2.4 | 2.53 | 2.84 | 2.79 | 2.92 | 3.34 | 3.59 | 3.60 | 4.05 |
| Net Cost/Vehicle Mile | 3.99 | 4.05 | 4.31 | 4.63 | 4.82 | 4.83 | 5.09 | 5.76 | 5.82 | 6.72 |
| Net Cost/Service Hour | 60.44 | 62.57 | 64.58 | 63.05 | 66.69 | 67.9 | 74.35 | 83.99 | 86.66 | 98.06 |
| **RIDES:*** | | | | | | | | | | |
| Net Cost/Passenger | 12.42 | 13.43 | 13.34 | 13.04 | 16.68 | 18.15 | 20.67 | 24.76 | 28.33 | 24.85 |
| Net Cost/Vehicle Mile | 1.51 | 1.64 | 1.9 | 1.85 | 2.43 | 2.57 | 2.54 | 2.99 | 3.04 | 2.55 |
| Net Cost/Service Hour | 31.53 | 34.21 | 40.54 | 41.58 | 52.94 | 55.18 | 52.03 | 60.50 | 51.85 | 45.03 |
| **Employees:** | | | | | | | | | | |
| Total | 161 | 169 | 186 | 201 | 211 | 212 | 220 | 218 | 214 | 213 |
| **Fleet Information:** | | | | | | | | | | |
| Standard Coaches | 80 | 71 | 71 | 71 | 75 | 77 | 79 | 95 | 99 | 99 |
| RIDES Vehicles | 25 | 24 | 23 | 24 | 24 | 25 | 22 | 24 | 25 | 20 |
| Total Revenue Vehicles | 105 | 95 | 94 | 95 | 99 | 102 | 101 | 119 | 124 | 119 |

* Excludes Depreciation

Source: MST's Business Service Department

This table shows information about our costs to provide services to our customers. We also show in this table the total number of employees as well as information about our fleet.

## MONTEREY-SALINAS TRANSIT

## OPERATING INFORMATION – CAPITAL ASSETS
### Fiscal Year 1997 through Fiscal Year 2006

| ***Fiscal year*** | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Capital Assets Not Being Depreciated | | | | | | | | | | |
| Land | $ 976 | $ 976 | $ 976 | $ 976 | $ 976 | $ 976 | $ 976 | $ 976 | $ 976 | $ 976 |
| Construction in progress | 281 | 656 | 541 | 63 | 2,616 | 4,376 | 20,736 | 2,711 | 3,180 | 4,029 |
| Total Capital Assets Not Being Depreciated | 1,257 | 1,632 | 1,517 | 1,039 | 3,592 | 5,352 | 21,712 | 3,687 | 4,156 | 5,005 |
| Other Capital Assets | | | | | | | | | | |
| Buses | 13,847 | 16,526 | 16,510 | 22,581 | 18,604 | 21,017 | 20,668 | 28,650 | 28,584 | 29,311 |
| Shop, office and other equipment | 11,667 | 12,031 | 13,801 | 15,030 | 15,593 | 16,406 | 14,762 | 18,458 | 17,493 | 18,178 |
| Total Capital Assets Being Depreciated | 25,514 | 28,557 | 30,311 | 37,611 | 34,197 | 37,423 | 35,430 | 47,108 | 46,077 | 47,489 |
| Less Accumulated Depreciation For:* | | | | | | | | | | |
| Buses | (5,891) | (6,748) | (7,534) | (8,691) | (7,668) | (9,073) | (9,497) | (8,046) | (10,175) | (12,935) |
| Shop, office and other equipment | (6,893) | (7,897) | (8,817) | (10,171) | (8,974) | (10,618) | (11,114) | (11,110) | (11,825) | (13,523) |
| Total Accumulated Depreciation | (12,784) | (14,645) | (16,351) | (18,862) | (16,642) | (19,691) | (20,611) | (19,156) | (21,999) | (26,458) |
| Capital Assets, Net | $13,987 | $15,544 | $15,477 | $19,788 | $21,147 | $23,084 | $36,531 | $31,639 | $28,234 | $26,036 |

Source: MST's comprehensive annual financial reports

This table shows the total nondepreciable capital assets, total depreciable capital assets and total accumulated depreciation.

# Section IV

## SINGLE AUDIT

- Independent Auditor's Report on Internal Control Cover Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Independent Auditors' Compliance Report Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and the Transportation Development Act
- Independent Auditors' Report on Compliance and on Internal Control Over Compliance Applicable to Each Major Federal Award Program and on Schedule of Expenditures of Federal Awards
- Schedule of Expenditures of Federal Awards
- Summary of Auditors' Results
- Summary of Financial Statement Findings

This page intentionally left blank

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

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

The Board of Directors
Monterey-Salinas Transit

We have audited the financial statements of Monterey-Salinas Transit as of and for the year ended June 30, 2006 and 2005, and have issued our report thereon dated September 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards,* issued by the Comptroller General of the United States.

*Internal Control Over Financial Reporting*

In planning and performing our audits, we considered the MST's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

*Compliance*

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

This report is intended solely for the information and use of the Board of Directors, management, and others within the MST and officials of applicable state grantor agencies and is not intended to be, and should not be used by anyone other than these specified parties.

Vavrinek Trine Day & Co. LLP

Palo Alto, California
September 29, 2006

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

# INDEPENDENT AUDITORS' COMPLIANCE REPORT BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND THE TRANSPORTATION DEVELOPMENT ACT

To the Board of Directors
Monterey-Salinas Transit

We have audited the financial statements, of Monterey-Salinas Transit (MST) as of June 30, 2006 and 2005, and for the year then ended, and have issued our report thereon dated September 29, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to MST is the responsibility of the management of MST. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of MST's compliance with certain provisions of the Transportation Development Act including Public Utilities Code Section 99245 as enacted and amended by statute through June 30, 2006 and the allocation instructions and resolutions of the Transportation Agency for Monterey County as required by Section 6667 of the California Administrative Code. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The result of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* and the standards referred to in the second and third paragraphs.

This report is intended solely for the information and use of the Board of Directors, management, and others within MST and officials of applicable state grantor agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Vavrinek Trine Day & Co. LLP

Palo Alto, California
September 29, 2006

# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Board of Directors
Monterey-Salinas Transit

*Compliance*

We have audited the compliance of Monterey-Salinas Transit with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. Monterey-Salinas Transit's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Monterey-Salinas Transit's management. Our responsibility is to express an opinion on Monterey-Salinas Transit's compliance based on our audit.

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

In our opinion, Monterey-Salinas Transit complied, in all material respects with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

*Internal Control Over Compliance*

The management of Monterey-Salinas Transit is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Monterey-Salinas Transit's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures of the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, state funding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Vavrinek Trine Day & Co. LLP

Palo Alto, California
September 29, 2006

# MONTEREY-SALINAS TRANSIT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## YEAR ENDED JUNE 30, 2006

| Grantor/CFDA Grantor's Program Title | Federal CFDA Number | Expenditures |
|---|---|---|
| U.S. DEPARTMENT OF TRANSPORTATION | | |
| Federal Transit Capital and Operating Assistance Formula Grant[1] | | |
| CA90-Y449 | 20.507 | $ 5,977,063 |
| CA90-Y322 | 20.507 | 425,845 |
| CA90-Y739 | 20.507 | 373 |
| CA03-0696 | 20.507 | 5,607 |
| CA26-0042 | 20.507 | 618,683 |
| CA90-0031 | 20.507 | 3,902 |
| CA90-0976 | 20.507 | 3,814 |
| CA03-0540 | 20.507 | 1,914,542 |
| CA90-0931 | 20.507 | 643 |
| TOTAL FEDERAL ASSISTANCE EXPENDED | | $ 8,950,472 |

[1] Tested as a major program

# MONTEREY-SALINAS TRANSIT

# SUMMARY OF AUDITORS' RESULTS
# YEAR ENDED JUNE 30, 2006

Part I – Summary of Auditor's Results

1. The independent auditor's report on the financial statements expressed an unqualified opinion.

2. Reportable conditions in internal control over financial reporting – No.

3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.

4. Reportable conditions in internal control over compliance with requirements applicable to major federal awards programs – No.

5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.

6. The audit disclosed no findings required to be reported by OMB Circular A-133.

7. The Organization's major program was:

| Name of Federal Program | CFDA Number |
|---|---|
| Federal Transit Capital and Operating Assistance Formula Grant | 20.507 |

8. A threshold of $300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.

9. The Organization did qualify as a low risk auditee as that term is defined in OMB Circular A-133.

## MONTEREY-SALINAS TRANSIT

## SUMMARY OF FINANCIAL STATEMENT FINDINGS
## YEAR ENDED JUNE 30, 2006

Part II – Financial Statement Findings Section

| Reference Number | Findings | Questioned Costs |
|---|---|---|

No matters are reportable

Part III – Federal Award Findings and Questioned Cost Section

| Reference Number | Findings | Questioned Costs |
|---|---|---|

No matters are reportable

Part IV– Status of Prior Period Audit Findings

| Reference Number | Findings | Questioned Costs |
|---|---|---|

No matters were reported

*Monterey-Salinas Transit*
*One Ryan Ranch Road*
*Monterey, CA 93940*
*Phone (831) 899-2558*
*Fax (831) 899-3954*
*Visit MST Online at www.mst.org*

Agenda # **2-11**
January 8, 2007 Meeting

---

To: Board of Directors

From: Hunter Harvath, AICP, Director of Administration

Subject: Monterey Transit Plaza Relocation Traffic Assessment

**RECOMMENDATION:**

Receive Monterey Transit Plaza Relocation Traffic Assessment final report.

**FISCAL IMPACT:**

None.

**POLICY IMPLICATIONS:**

At the March 13, 2006, meeting of your Board, staff was authorized to initiate exploring alternative locations for bus transfer activities in the downtown Monterey area to relieve congestion at the current Simoneau Plaza location.

**DISCUSSION:**

For several years, the Monterey Transit Plaza (MTP) has been operating above its original design capacity. Safety hazards related to increased traffic congestion exist in this area during morning and afternoon rush hours, where MST buses are joined by vehicles from other operators, including Amtrak Thruway Bus and Monterey-Salinas Airbus, and throughout the day during summer months when MST's seasonal services are in operation. MST does not own the MTP. Rather, it occupies public streets surrounding a city owned park – Simoneau Plaza. The congestion around the MTP from private vehicles exacerbates the operational difficulties MST experiences at this location, as precious minutes of running time are lost as buses wait for traffic to clear the unsignalized intersections in the immediate vicinity. In addition, the on-street, mixed-traffic design of the MTP raises serious safety concerns regarding bus-auto and bus-pedestrian movements.

Both MST and City staff predict that traffic in this area will increase over time and further degrade the operational viability of the MTP. In that regard, staff has had preliminary internal discussions about other possible locations for a transit hub in downtown Monterey. The leading candidate for a new transit hub has centered on a one-block long section of Tyler Street between the city's East and West municipal parking garages, with ancillary bus parking positions on Franklin Street at the corner of Tyler Street (see Attachments 1 and 2). This location offers synergistic opportunities with the city of Monterey's parking operations office and customer service window.

There are public restroom facilities at the parking garages, which also offer shelter over a portion of the sidewalks. Additionally, the intermodal nature of locating a bus transfer facility at a parking garage facility that is across the street from the heavily used bike and pedestrian recreation trail would add to the attractiveness of this location. And, the possibility of making a portion of the facility bus-only would promote safe operations for MST vehicles.

Initial consultations with City of Monterey staff regarding this proposal have been encouraging and supportive. Perteet, Inc., conducted computerized traffic modeling on the most-intense proposal – closure of Tyler Street between Del Monte Avenue and West Franklin Street to general purpose traffic. The Monterey Transit Plaza Relocation Final Traffic Assessment (Attachment 1) demonstrates that the local roadway system, with some minor modifications, can accommodate these changes without degrading the overall roadway network in the downtown area. In the coming months, City of Monterey staff will be analyzing further this data and the possible impacts of the proposed relocation of bus transfer operations to the area around the parking garages.

PREPARED BY: ______________ Hunter Harvath REVIEWED BY: ______________ Carl G. Sedoryk

Attachment 1: Monterey Transit Plaza Relocation Final Traffic Assessment

Agenda # **5-1**
January 8, 2007 Meeting

# Facilities Committee

December 11, 2006
Minutes

Present: Director Mancini
Director Clark
Carl Sedoryk, General Manager/CEO
Mike Hernandez, Chief Operating Officer
Carl Wulf, Capital Projects/Facilities Manager
Rich Burton, Temporary Purchasing Manager
Hunter Harvath, Director of Administration

**1. Call to order**

Director Mancini called the meeting to order at 9:02 a.m.

**2. Public Comment**

There were no public comments on matters not on the agenda.

**3. Receive an update report on the asbestos abatement plan for the existing structure at 280 Reservation Road and recommend award of contract.**

Michael Hernandez reviewed the status of the hazardous materials/abatement project at 280 Reservation Rd. The structure was built in the late 1970's and a hazardous materials inspection is required prior to demolition. A high concentration of asbestos was found in the felt roofing materials and other hazardous materials include the flourescent bulbs and a negligible amount of lead based paint. MST received 8 responses ranging from $49,500 - $103,800. CAL INC from Vacaville is low bidder at $49,500. The abatement will begin in January and air-monitoring equipment will be installed. Operations will then be relocated to Seacrest Rd until project completion.

Director Mancini asked about the unofficial Park & Ride use of the lot and requested that MST contact AMBAG and CHOMP to notify them of the project. Director Mancini made the motion to present to full board with director Clark making the second.

4. **Receive an analysis of bids for construction of the Marina Transit Exchange project and recommend award of contract to full board.**

Michael Hernandez reviewed the status of the Marina Transit Exchange (MTX) project: In March 2006, MST was unsuccessful in obtaining bids for a mixed-use development at 280 Reservation Road. MST and the City of Marina agreed on a phased implementation approach in order to have a contract in place by Dec. 31 2006. VBN Architects and MST began an aggressive timetable to complete the design, engineering and construction plans. Marina approved the design on October 17. MST had two pre-bid meetings to determine possible contractor issues and encourage participation. The meetings resulted in requests from contractors, including: separate the asbestos abatement work form construction project; increase contractor bidding time; and allow contractors to provide subcontractors information later.

MST received six bids ranging from $2,636,008 to just over $3,588,000. VBN estimated the project at approximately $2,984,000. DMC construction is the low bidder and reference checks were conducted on eight of their previous jobs. Customers had a high level of satisfaction, with one negative comment. MST determined that DMC was fined twice regarding an issue with subcontractors and inappropriate disposal of asbestos materials. Additionally, the local carpenters union has been actively picketing DMC sites due to wage related issues. MST does require the payment of prevailing wages on this project. Staff recommends award to DMC as the low responsive bidder.

Director Mancini requested that MST clearly show that prevailing wage is required on this job and include this in the contract. Director Mancini made the motion to present to full board with director Clark making the second

5. **Receive an update on the Compressor replacement for the clean Air Refueling Station (CARS)**

Michael Hernandez provided an update on the effort to replace the CARS compressor. MST took over CARS in August 2005 and completed more than $350,000 in upgrades including adding new engines, dispenser, special filters and rebuilding one compressor. The station has had no back-up compressor since May and since April there have been 15 incidents where the station was down either full or partial days.

Twenty percent of MST’s fleet is fueled by CNG and the station provides fuel for the Monterey school district and several other users. In September the Monterey Bay Area Unified Air Pollution Control District approved a grant for $100,000 to replace the compressor. A compressor was located from Tulsa Gas for about $42,000. MST will operate the station for the next 11–15 months and fueling for MST and other users is at risk due in the event the remaining compressor shuts down.

Director Mancini asked if the Grant is for repair parts or only for total replacement. Hunter Harvath responded that the Grant is for the purchase of a component, not for just repairs. Director Mancini asked if the excess money could be held over for other possible problems. Mr. Harvath stated that MST would attempt to hold on to the excess funds until the CARS is returned to the City of Monterey. Director Mancini made the motion to present to full board with director Clark making the second.

**6. Adjourn**

Director Mancini adjourned the meeting at 9:43 a.m.

SUBMITTED BY: Michael Hernandez

Michael Hernandez

Agenda # **8-1**
January 8, 2007 Meeting

---

To: Board of Directors

From: C. Sedoryk, General Manager/CEO

Subject: Board Strategic Planning and Performance Goal Setting Workshop

**RECOMMENDATION:**

Receive report on progress towards hiring a facilitator to conduct a strategic planning and performance goals setting workshop and provide direction.

**FISCAL IMPACT:**

MST has received quotes ranging from $8,500 - $11,500 based on estimates provided by consultants and scope of work developed by staff. Costs may change if your Board desires a different scope of work to be performed. This workshop and associated costs was not contemplated in developing the 2006-operating budget.

**POLICY IMPLICATIONS:**

None. This action is consistent with previous Board direction.

**DISCUSSION:**

At your meeting of November 13, 2006, your Board directed staff to hire a consultant to facilitate board discussion and decision-making regarding MST strategic goals and objectives and developing performance goals for the General Manager/CEO. MST staff has interviewed other transit agencies that have conducted similar workshops and have interviewed several consultants. Based on these interviews staff recommends the following scope of work for the consultant.

- Develop a survey instrument to be distributed to MST Board members to validate current strategic goals and objectives, provide input for any adds, changes or deletions to current goals and objectives and to get input on ideas for specific performance goals and expectations for the General Manager/CEO.

- Follow-up with phone calls to each Board member to discuss and complete survey.

- Accumulate feedback from surveys and present at a three to four hour Board Workshop and facilitate discussion to finalize organizational goals and specific performance goals for GM/CEO.

- Conduct three to four hour workshops with MST executive leadership team to assist in the development of goals and objectives that support Board direction.

- Prepare a final report to the Board

If the consensus of the Board is to accept this framework as a scope of work for the consultant, MST will solicit quotations and finalize the selection of a consultant based on the approved scope of work. In order to complete the organizational goals and objectives as part of the fiscal year 2008 budget process, staff desires the workshop to be completed in late February or early March time frame. Staff requests Board members to be prepared to discuss potential dates for the proposed workshop at our January 8th, 2007 meeting.

PREPARED BY: ______________________
Carl G. Sedoryk

Agenda # **8-2**
January 8, 2007 Meeting

---

To: Board of Directors

From: Hunter Harvath, AICP, Director of Administration

Subject: MST Land Utilization Plan Preliminary Results

**RECOMMENDATION:**

1. Receive presentation from Bay Area Economics on the preliminary findings from the MST Land Utilization Plan.
2. Provide guidance to staff on formulating future development plans.

**FISCAL IMPACT:**

None.

**POLICY IMPLICATIONS:**

At the January 9, 2006 MST Board of Directors Strategic Planning Workshop, staff was directed to devise a plan to develop MST properties to create a long-term, continuing source of revenue to support the operations of MST and increase utilization of our community's public transit system. Bay Area Economics will present the preliminary results of that plan.

**DISCUSSION:**

MST has identified the need to acquire property for future transit stations and to complete the construction of the Frank J. Lichtanski Monterey Bay Operations Center on property it already owns on the former Fort Ord. MST possesses or will soon receive title to parcels of property totaling nearly 65 acres throughout Monterey County. Some of these properties could be used to accomplish these goals.

MST Parcels:
Description and Proposed Designation

| Parcel Name and description | Parcel Location | Parcel Number | Parcel Status | Acreage |
|---|---|---|---|---|
| **1. Thomas D. Albert Division, MST Headquarters, Operations and Maintenance Facility** | **1 Ryan Ranch Road, Monterey** | **259-011-067** | **Built out** | **5.0 ac** |
| **2. Clarence J. Wright Division, Operations and Maintenance Facility** | **443 Victor Way, Salinas** | **003-171-024** | **Built out** | **2.32 ac** |
| **3. Salinas Transit Center, Off-street Bus Transfer Operations** | **110 Salinas St, Salinas** | **002-248-009 -010** | **Built out** | **~1 ac** |
| **4. Marina Transit Station, On-Street Bus Transfer Operations** | **280 Reservation Rd, Marina** | **032-171-005** | **In development** | **3.3 ac** |
| ***Former Ft Ord, Presidio of Monterey (POM)*** | | | | |
| **5. Bldg 2058, Conveyed Parcel, Future Intermodal Center** | **5th St. at 1st Ave, POM** | **L.2.1** | **Undeveloped** | **4.54 ac** |
| **6. Bldg 4448, Conveyed Parcel, Future Operations and Training Center** | **Col Durham Rd. at 7th Ave, POM** | **L.2.4.3** | **Undeveloped** | **1.60 ac** |
| **7. Current Storage for Contingency, Conveyed Parcel, Future FJL Monterey Bay Division for Operations and Maintenance** | **7th Ave. at Gigling Rd, POM** | **L.2.4.2** | **Undeveloped** | **13.15 ac** |
| **8. Undeveloped land, Conveyed Parcel, Future Park and Ride** | **Imjin Pkwy at Imjin Rd, POM** | **L.2.2.1** | **Undeveloped** | **2.11 ac** |
| 9. Undeveloped land, Not Conveyed, Future Park and Ride | Imjin Pkwy at Imjin Rd, POM | L.2.2.2 | Undeveloped | 4.54 ac |
| 10. Undeveloped land, Not Conveyed, Future Park and Ride | 8th Ave. at Gigling Rd, POM | L.2.3 | Undeveloped | 24.24 ac |
| 11. Undeveloped land, Not Conveyed, Future Operations and Fueling Facility | 8th Ave. at Gigling Rd, POM | L.2.4.1 | Undeveloped | 2.79 ac |

**Boldface** indicates MST has Title **Total = Approx. 64.59 ac**

Assembly Bill No. 1937 (Dutra), enacted in February 2002, allows a transit operator to enter into agreements with a public agency, public utility or person or entity for the purpose of joint development. This legislation gives MST the authority to develop and manage real property for transit-oriented development (TOD), and to retain ownership of that property as an ongoing source of revenue for the Agency. Transit Oriented Development consists of a project that is a commercial, residential, or mixed-use development that is undertaken in connection with existing, planned or proposed transit facilities and is located ¼-mile or less from the boundaries of the transit facility. The financial need to jointly develop MST property to create a continuous revenue source to support transit and increase the utilization potential of public transit is the driving force behind the joint development program.

At this point in time, MST has no comprehensive process for evaluating development proposals at joint development sites. It is important that MST has a public process that affords the development community equal notice and opportunity to make development proposals on MST property. It is also important for MST to achieve the best possible project proposals from the best developers and design professionals and for MST to earn the highest revenue returns from land assets. While achieving these goals, MST must coordinate closely with member cities to assure that projects proposed within each city's jurisdiction meets local planning goals and objectives.

Over the previous three months, Bay Area Economics has conducted an in-depth analysis of MST properties as well as the prospective development market of the communities in which these properties are located. Elements of the Land Utilization Plan include:

- Identification of current market potential/values;
- Evaluation of permitted development entitlements and opportunities for change;
- Determination of highest value development programs;
- Projection of potential development value through pro-forma financial analysis; and
- Formulation of strategies for implementation.

The results of this plan will be used by MST staff as they work with our funding partners in Washington, DC, Sacramento, and in the private sector to finance MST capital and operating needs. An in-depth presentation of preliminary findings is contained in Attachment 1, from which a more brief in-person presentation will be made by BAE's principal, Ron Golem at the January 8th meeting of your Board.

PREPARED BY: ____________________ REVIEWED BY: ____________________
Hunter Harvath Carl G. Sedoryk

Attachment 1: Land Utilization Plan Powerpoint

Agenda # **9-1**
January 8th, 2007 Meeting

---

To: Board of Directors

From: C. Sedoryk, General Manager/CEO

Subject: Report on Smart Card Demonstration Proposal

**RECOMMENDATION:**

Receive report on proposal for demonstration of smart-card technology and provide recommendation.

**FISCAL IMPACT:**

None at this time. If directed to proceed with the project staff would budget $200,000 from existing Intelligent Transportation System (ITS) grant funds to purchase smart-card readers for a portion of our fleet.

**POLICY IMPLICATIONS:**

None.

**DISCUSSION:**

The purpose of the ITS program is to provide funding for the utilization of advanced technologies to improve the safety, convenience, and efficiency of transit systems. Projects that qualify for ITS funds include investments in geographic information systems, transit management systems, traveler information systems, and electronic fare payment systems.

In fiscal years 2002 and 2003 staff applied for and received $1,244,446 in federal ITS grant funds. These funds require local matching funds and allow other federal funds to be used for matching purpose. The approved MST capital budget for MST ITS projects is $2,089,246. To date these funds have been used in the implementation of the MST Automatic Vehicle Location and Geographic Positioning System technologies, implementation of software to improve system planning, route scheduling, equipment maintenance, inventory control, financial control, and security camera systems. At this time $676,035 remains uncommitted towards specific ITS projects. MST staff intends to use the remainder of these funds to acquire additional security technology, online-trip planning capability, and real time passenger information signage at major MST transfer points.

For the past several years an electronic fare payment system known as TransLink has been developed by the Metropolitan Transportation Commission (MTC), AC Transit, BART, Caltrain, Golden Gate Transit, Muni, SamTrans, Santa Clara VTA and all other Bay Area transit agencies. With TransLink now up and running on all AC Transit, Golden Gate Transit and Ferry, and Dumbarton Express routes, the system will continue rolling out in phases to other transit agencies. BART, Muni and Caltrain are scheduled to begin accepting TransLink in 2007. SamTrans and Santa Clara VTA will start accepting TransLink in 2008, and 19 additional Bay Area transit agencies will allow payment with TransLink by 2010. Once all agencies are on board, a customer will be able to ride every transit system from San Jose to Santa Rosa with just one card.

The credit card-sized TransLink card stores value in the form of electronic cash (e-cash) and transit passes. To pay a fare, a rider simply "tags" the card by touching it to one of the card readers installed on buses or at the entrance to transit stations or terminals and — in an instant — the card reader automatically deducts the correct fare and applies any appropriate discounts, including transfers. TransLink provides several convenient options for getting a card and loading value onto it. Customers can order TransLink cards — and add value to them — online, by phone or by mail, or pick up a card at participating retail locations and transit agency ticket offices. Customers also can add value at self-serve Add Value Machines located in transit stations, or through an employee transit benefit program (such as Commuter Check®).

MST has received a proposal from ERG Group the company that has developed and implemented the Translink system. The proposal would outfit the 1800 series of over-the road coaches with the Translink technology and Smart Card capability. These 8 vehicles are used exclusively on MST long-distance routes including Line 55 San Jose Express, Line 23 King City-Salinas, and Line 53 King City – Monterey Peninsula. ERG Group proposes to equip these vehicles with card readers and would be compatible with both Santa Clara VTA and Caltrain systems.

If the demonstration proves successful MST staff intends to work collaboratively with Santa Cruz Metro to identify additional ITS funds to outfit the fleets of both systems so that travel within the Monterey Bay region and into the San Francisco Bay area may be done with a single compatible smart card.

With Board direction MST staff will set aside $200,000 of the remaining uncommitted ITS funds for this demonstration project. Staff would return to the Board for final approval once the details of the project related to card distribution, ongoing maintenance costs, and retail outlets are finalized. Staff will also continue to identify opportunities to invest remaining ITS funds to acquire additional security technology, online-trip planning capability, and real time passenger information signage at major MST transfer points.

PREPARED BY: ______________________________
Carl G. Sedoryk

Agenda # **9-2**
January 8, 2007 Meeting

---

To: Board of Directors

From: Mary Archer, Planner

Subject: Guest presenter from Lane Transit District in Eugene, Oregon:
Graham Carey, Bus Rapid Transit (BRT) Project Engineer, P.E., AICP

**RECOMMENDATION:**

Receive "Transit 101" presentation on Bus Rapid Transit (BRT).

**FISCAL IMPACT:**

None.

**POLICY IMPLICATIONS:**

The Board receives presentations from staff on specialized topics of transit operations and planning. During his visit to Monterey, Graham Carey will speak to policy makers at the TAMC Rail Policy Committee as well as with staff members of MST member jurisdictions, including Salinas and Monterey.

**DISCUSSION:**

MST and local governments are working together to assess the feasibility of BRT in the Monterey Bay Region. An innovation in transit service, BRT offers both the virtues of rail transit and the flexibility of buses. New technologies and vehicle design can give BRT systems the same type of look, experience and performance as rail systems for a lower construction cost.

BRT systems combine signal and roadway design priority treatments for transit. The vehicles can operate on dedicated rights-of-way (structures or bus-only lanes), HOV lanes, or ordinary streets, and move in and out of these facilities as needed. BRT systems can be designed to suit community needs; there is no "cookie cutter" formula. Examples from other cities show the most benefits from the incorporation of the following elements:

- Exclusive rights-of-way or transit priority treatments such as queue-jump, bus by-pass lanes on highways, signal prioritization, and signal timing;
- Uniquely designed and prominently located stops with curbside and pedestrian-oriented amenities;

- Long distances between stations;
- Off-vehicle fare payment technology to speed boarding; and
- Real-time customer information technology

PREPARED BY: Mary Archer REVIEWED BY: Carl G. Sedoryk

Agenda # **10-1**
January 8, 2007 Meeting

---

To: Board of Directors

From: C. Sedoryk, General Manager/CEO

Subject: Monthly Report

Attached are the most recent monthly statistics and the reports from the Administration and Operations/Maintenance Departments.

Enclosed are the following:

Attachment #1 – Fixed Route Bus – Monthly Boardings
Attachment #2 – Fixed Route Bus – Comparative Statistics
Attachment #3 – MST RIDES Monthly Boardings
Attachment #4 – MST RIDES Comparative Statistics
Attachment #5 – Operations Department Report September 2006
Attachment #6 – Facilities & Maintenance Department Report September 2006
Attachment #7 – Administration Department Report September 2006

PREPARED BY: Carl G. Sedoryk
Carl G. Sedoryk

December 29, 2006

To: M. Hernandez, Chief Operating Officer

From: R. Weber, Director Of Transportation Services

Subject: **Transportation Department Monthly Report, November 2006**

**FIXED ROUTE BUS OPERATIONS:**

**System Wide Service:**
Preliminary boarding statistics indicate that ridership increased by **4.90%** in November 2006 (386,128) as compared to November 2005 (368,100).

November productivity remained constant from 23.62 passengers per hour last year, to 23.64 passengers per hour for November of this year.

**Seasonal Service:**
Thanksgiving weekend, (Nov 24-26), MST Trolley service was deployed onto the WAVE route in downtown Monterey– 4,008 passengers were transported over this three day period.

**Supplemental Service**:
On November 30th MST provided supplemental transit service on the Line 43 during the annual holiday *Parade Of Lights* event in Salinas. During this four-hour event, MST transported 497 passengers to / from various venues along the parade route.

---

**System Wide Statistics:**

- Ridership: 386,128
- Vehicle Revenue Hours: 16,331
- Vehicle Revenue Miles: 254,366 (Scheduled)
- System Productivity: 23.64 Passengers Per Vehicle Revenue Hour

**On-Time Compliance:** Of 80,559 total time-point crossings sampled for the month of November, the TransitMaster™ system recorded 13,083 delayed arrivals to MST's published time-points system-wide. This denotes that **83.76%** of all scheduled arrivals at published time-points were on time.

Buses arriving later than **5** minutes beyond the published schedule are considered late. The on-time compliance chart (attached) reflects system wide "on-time performance" as a percentage to the total number of sampled time-point crossings.

**Trips With 10 or More Standees:** There were 45 reported overcrowded trips for the month of November. (See Operations Summary report for further information)

**Cancelled Trips:** There were a total of 24 cancelled trips for the month of November. Forty five percent (45%) of all cancelled trips 2 were attributed to heavy traffic conditions which were secondary to road construction or vehicle accidents that did not involve MST.

**CONTRACTED SERVICES:**

**MST RIDES ADA / ST Program:**

- Preliminary boarding statistics for the MST RIDES program reflect that for the month of November there were 5,451 passenger boardings. This represents a **3.73%** decrease in passenger trips from November of 2005.

- MV Transportation Inc was involved in one (1) non-preventable vehicle accident in an MST owned RIDES vehicle. Minor damage was sustained to the vehicle, and there were no injuries reported.

- MST hosted a demonstration of the MST RIDES Mobile Data Computer system for the City of Santa Rosa

**Other:**

- MV Transportation Inc was involved in two (2) non-preventable vehicle accidents in MST owned fixed route vehicles. Minor damage was sustained to the vehicles, and one minor injury was reported.

**COMMUNICATIONS:**

In November, the Communications Department summoned public safely agencies on seven (7) separate occasions to MST's transit vehicles and facilities:

| Agency Type | Incident Type | Number Of Responses |
|---|---|---|
| Police | Passenger Incident | 2 |
| Emergency Medical Services | Medical Emergency | 5 |

Robert Weber

**ATTACHMENTS:** MST Fixed-Route Bus ~~ On Time Compliance FY 2007.

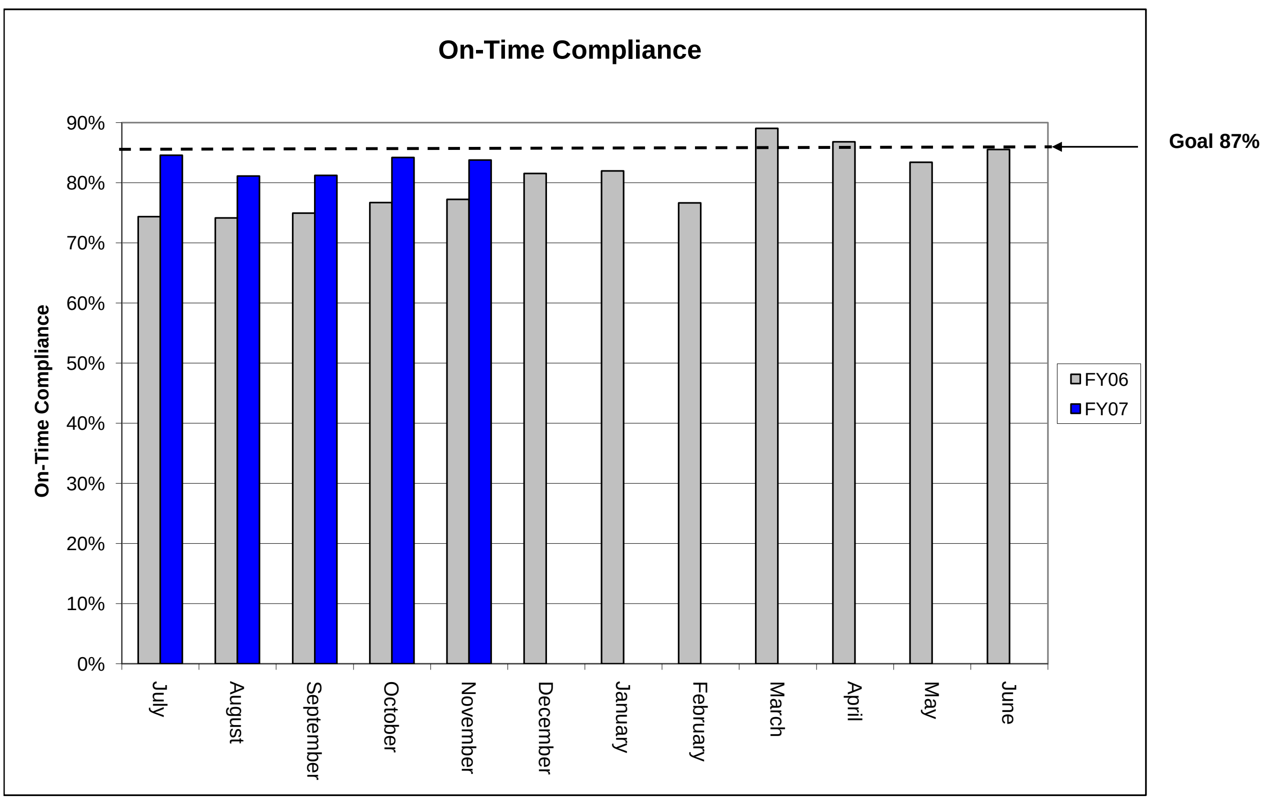
November 2006
Data Sampled: 78.00%

## MST FIXED ROUTE
## ON-TIME COMPLIANCE FY 2007

| MONTH | FY06 ON-TIME PERFORMANCE | FY07 TIME POINT COUNT | FY07 DELAYED ARRIVALS 3 + MINUTES * | FY07 ON-TIME PERFORMANCE |
|---|---|---|---|---|
| July | 74.38% | 87,405 | 13,494 | 84.56% |
| August | 74.16% | 89,442 | 16,890 | 81.12% |
| September | 74.95% | 84,134 | 15,816 | 81.20% |
| October | 76.71% | 86,471 | 13,643 | 84.22% |
| **November** | **77.21%** | **80,559** | **13,083** | **83.76%** |
| December | 81.52% | | | |
| January | 81.97% | | | |
| February | 76.63% | | | |
| March | 89.06% | | | |
| April | 86.82% | | | |
| May | 83.42% | | | |
| June | 85.54% | | | |

* - On time= Arrival within 5 minutes of the published schedule

| | | | | |
|---|---|---|---|---|
| TOTAL | | 428,011 | 72,926 | |
| Monthly Average | 75.48% | 85,602 | 14,585 | 82.97% |



Monterey-Salinas Transit

# Operations Summary Report

*Fixed Route and DART Service*

*July 2006 – November 2006*

# Fixed Route & DART Monthly Operations Summary Report
November 2006

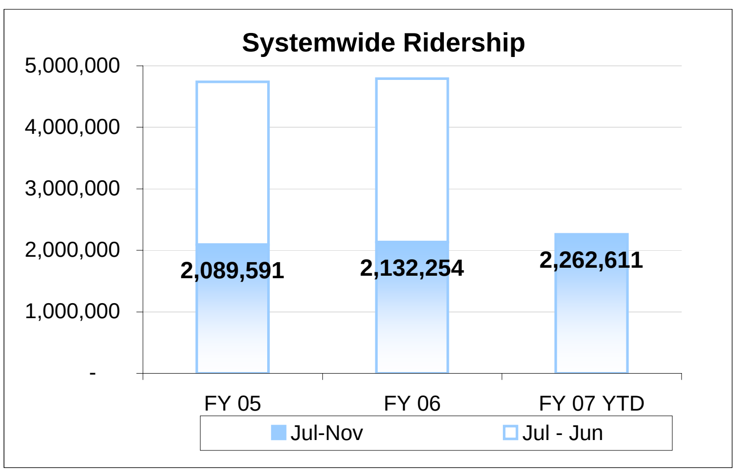
| Service Delivered | | Service Quality | |
|---|---|---|---|
| Ridership | 386,128 | On-timeTime Points | 67,476 |
| Passengers / Vehicle Revenue Hour | 23.64 | Delayed Time Points | 13,083 |
| One-way Trips Scheduled | 22,304 | Schedule Adherence | 83.76% |
| Cancelled Trips | 24 | Overcrowded Trips | 45 |

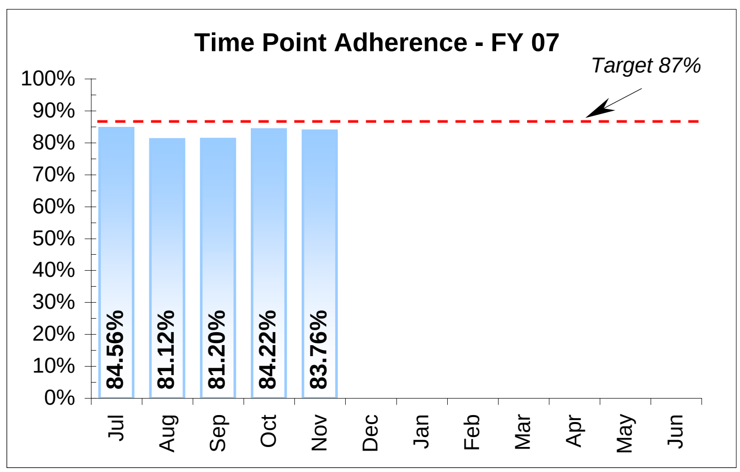
**System Wide Service:**
Direct comparison between November 2005 and November 2006 shows a 4.9% increase in boardings this month, with a 4.8% increase in revenue hours. Normalizing the data to account for the variance in service days and the differences between special event/supplemental service operated still shows a 4.4% increase in ridership but with only a 4.1% increase in revenue hours.

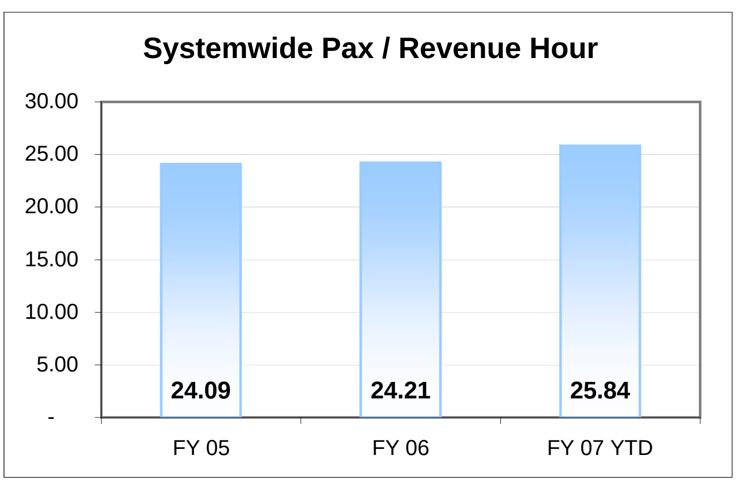
The number of trips canceled due to traffic quadrupled this month due to road construction on line 43, which accounted for 50% of all canceled trips. Adherence continues to hover just below the target range of 87%.

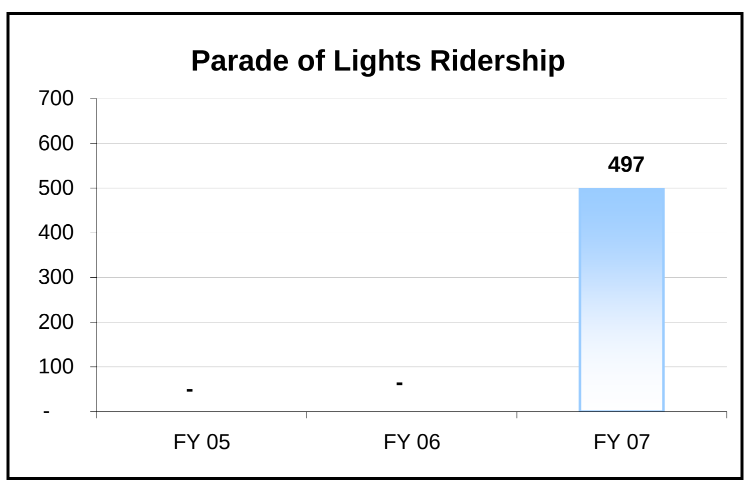
**Seasonal Service:**
Trolleys were operated on the WAVE route for the three days following the Thanksgiving holiday, carrying 4,008 passengers. This represents a 19.4% increase over the same service operated last year.

**Supplemental Service**:
On November 30th supplemental service was operated on line 43 for the Salinas Parade of Lights. Service carried 497 passengers over 16.66 revenue hours.

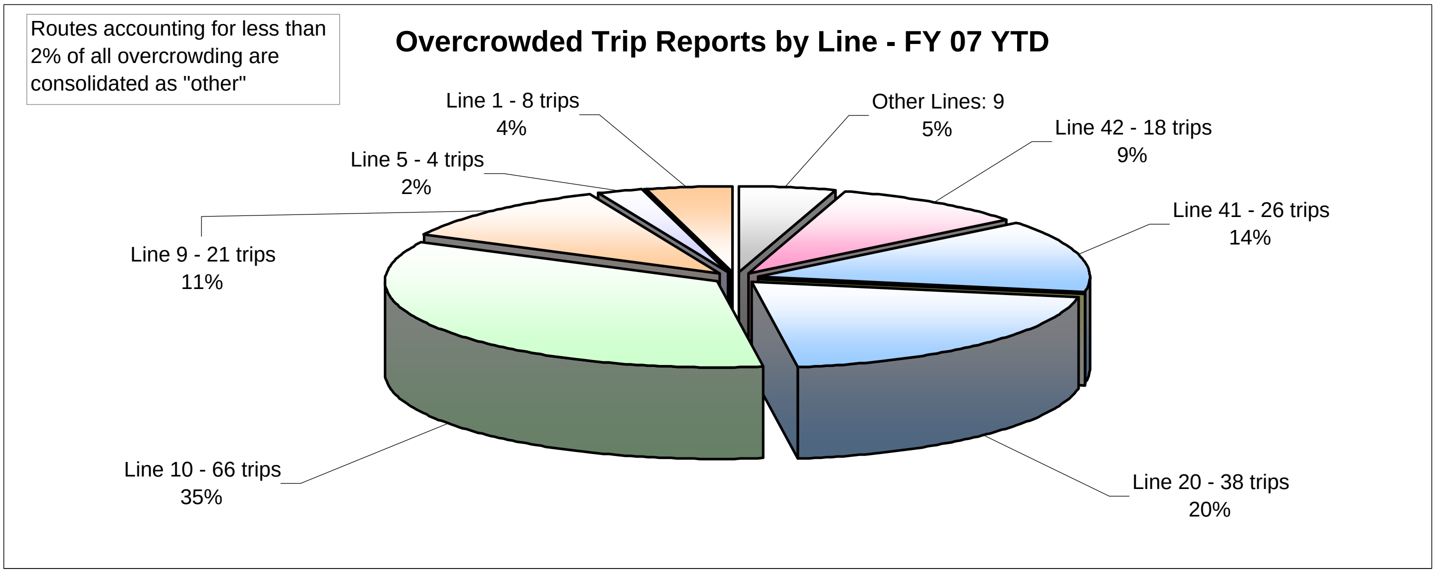


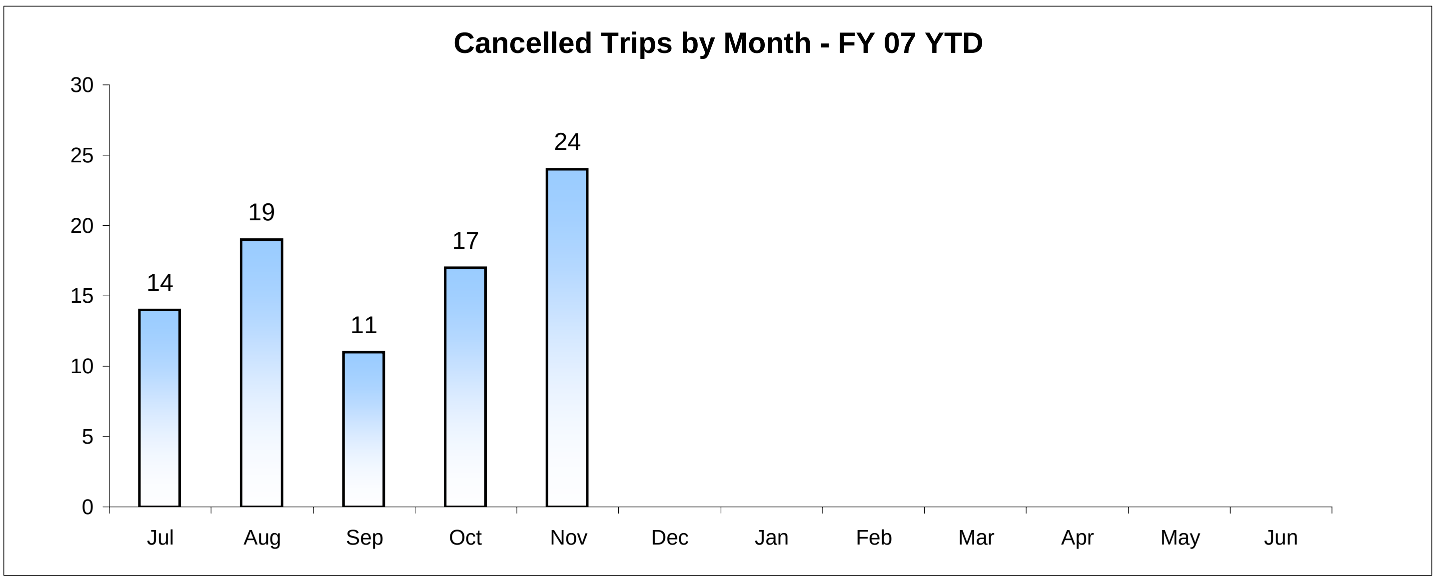



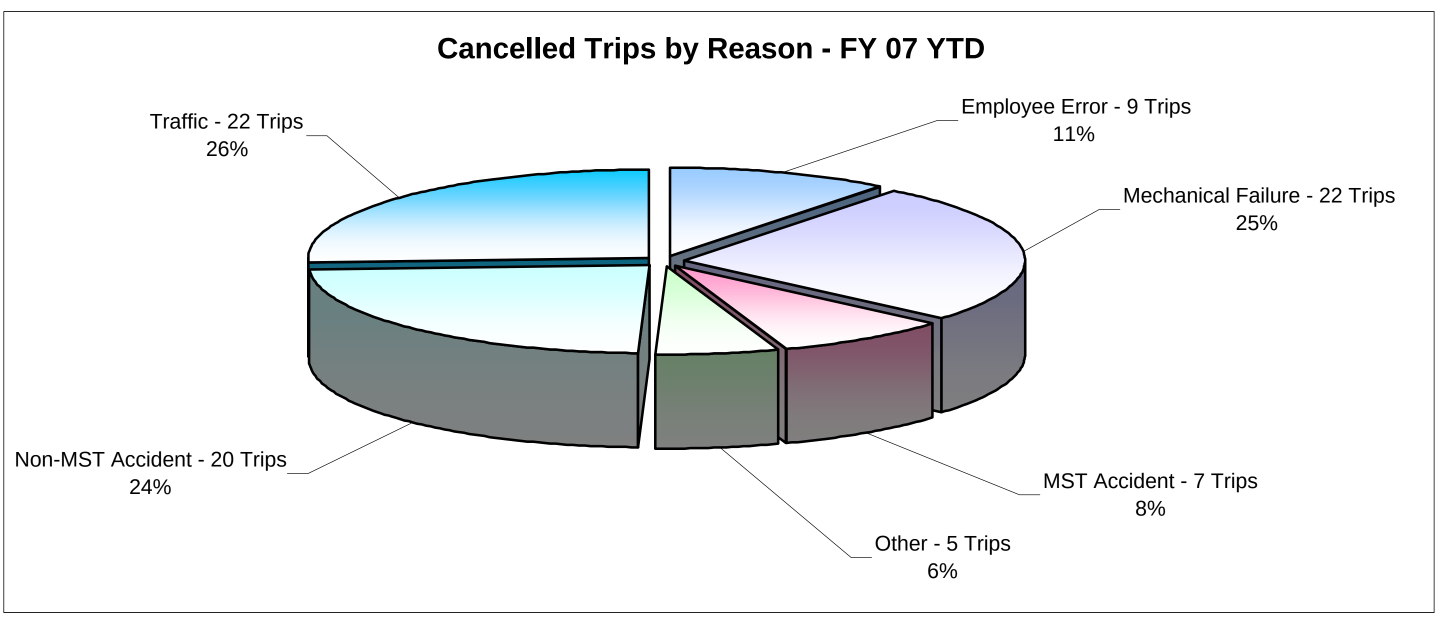



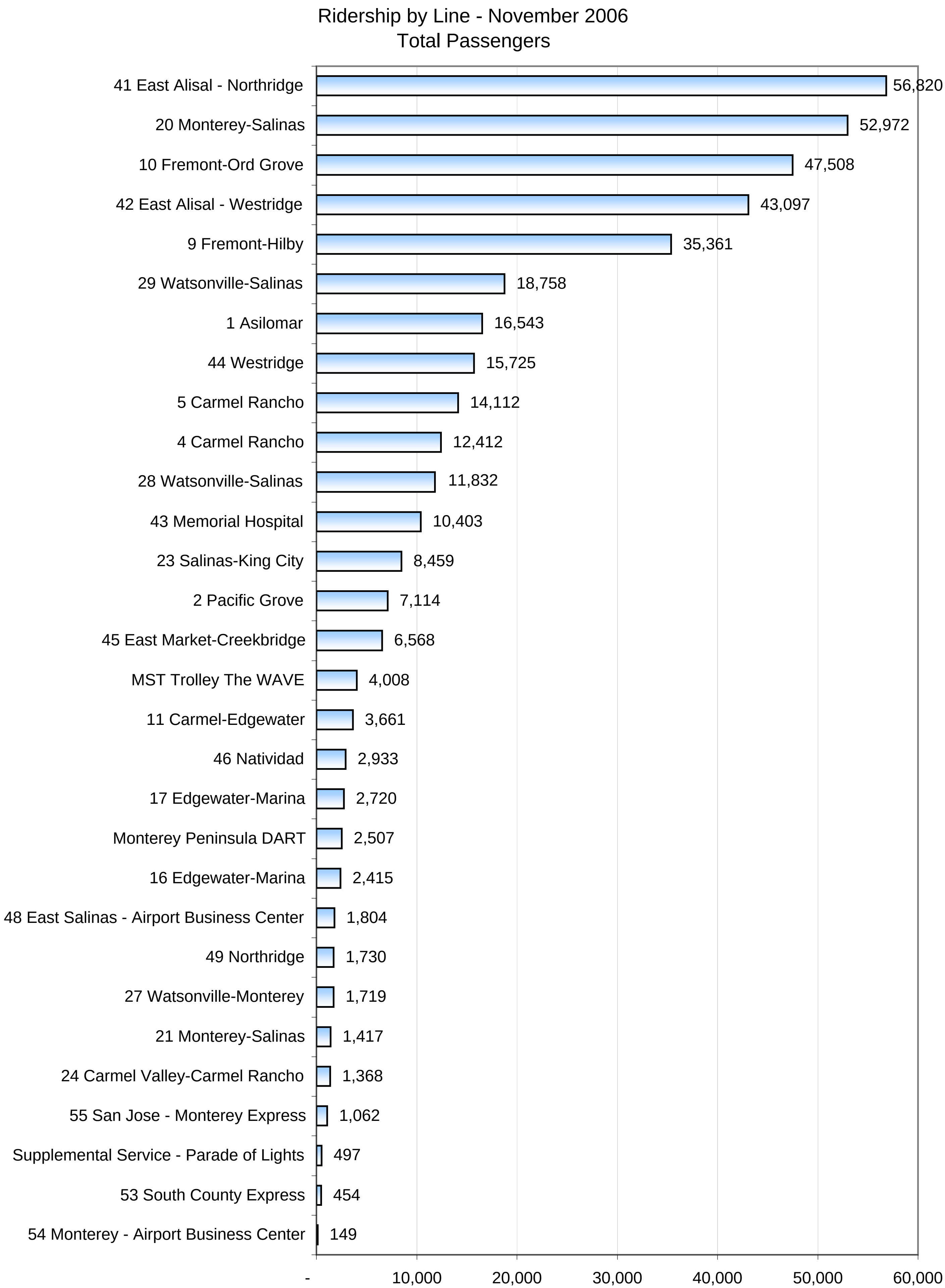



# Fixed Route & DART Monthly Operations Summary Report
# November 2006

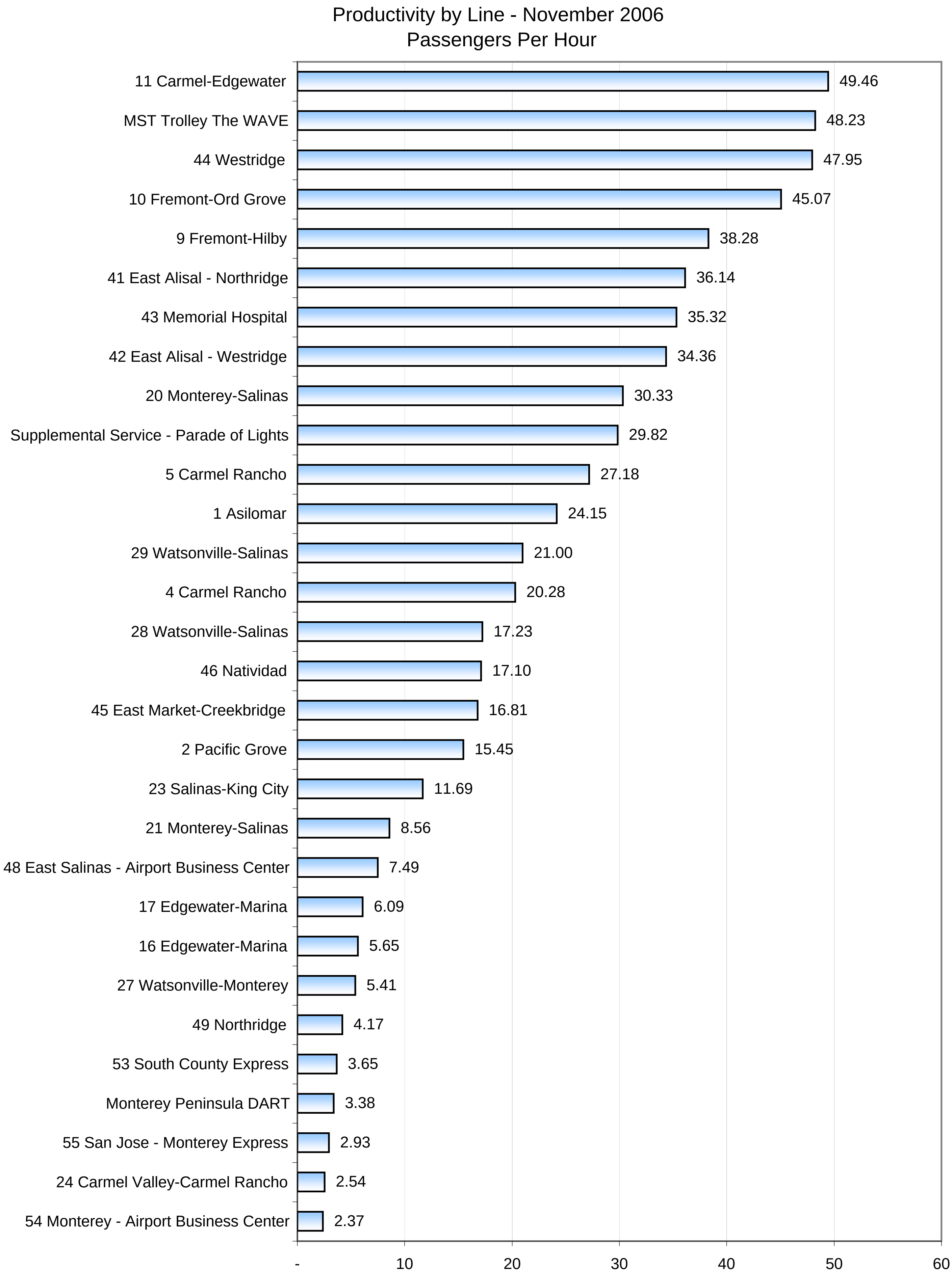


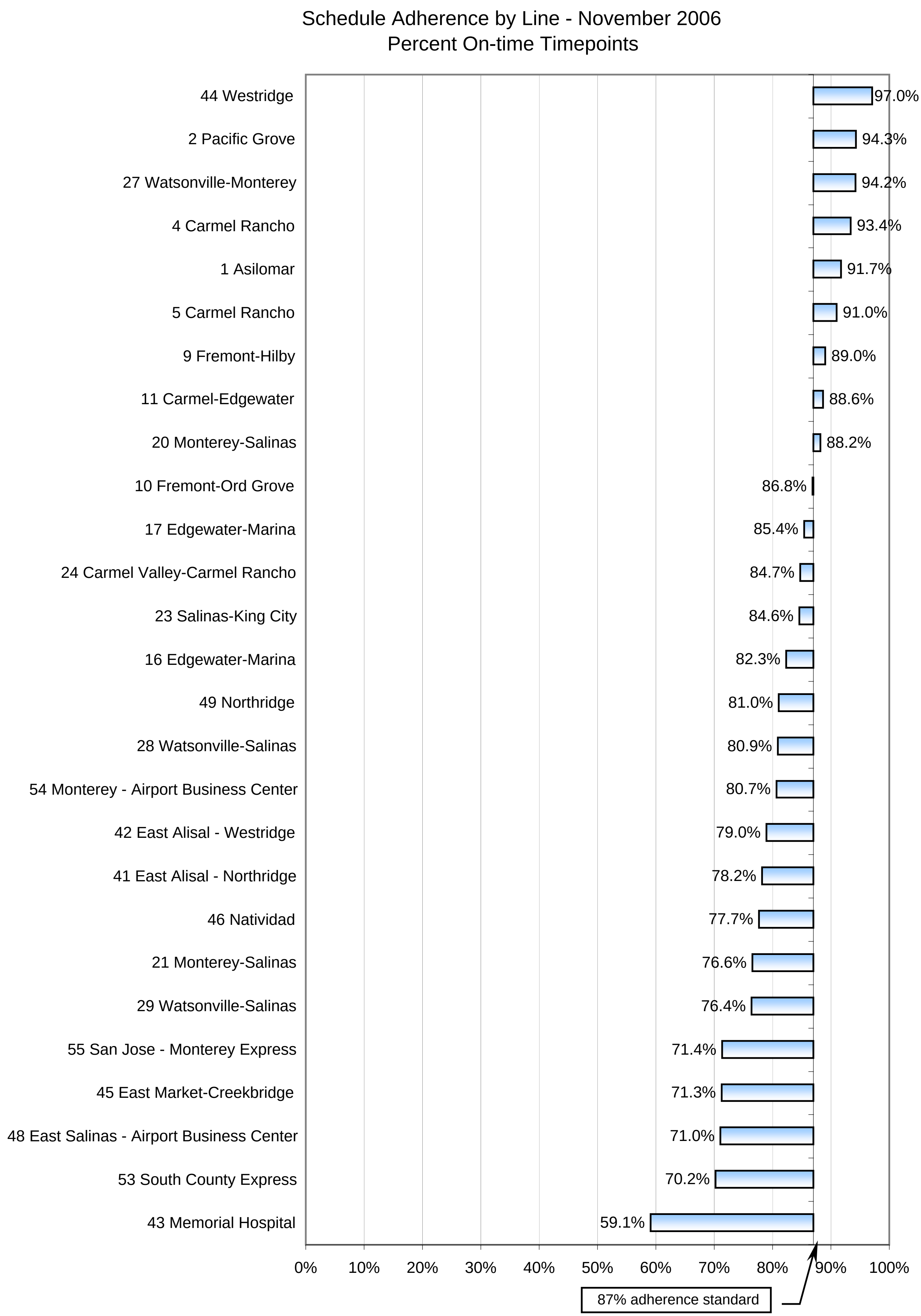





Ridership by Line - November 2006
Total Passengers
41 East Alisal - Northridge
56,820
20 Monterey-Salinas
52,972
10 Fremont-Ord Grove
47,508
42 East Alisal - Westridge
43,097
9 Fremont-Hilby
35,361
29 Watsonville-Salinas
18,758
1 Asilomar
16,543
44 Westridge
15,725
5 Carmel Rancho
14,112
4 Carmel Rancho
12,412
28 Watsonville-Salinas
11,832
43 Memorial Hospital
10,403
23 Salinas-King City
8,459
2 Pacific Grove
7,114
45 East Market-Creekbridge
6,568
MST Trolley The WAVE
4,008
11 Carmel-Edgewater
3,661
46 Natividad
2,933
17 Edgewater-Marina
2,720
Monterey Peninsula DART
2,507
16 Edgewater-Marina
2,415
48 East Salinas - Airport Business Center
1,804
49 Northridge
1,730
27 Watsonville-Monterey
1,719
21 Monterey-Salinas
1,417
24 Carmel Valley-Carmel Rancho
1,368
55 San Jose - Monterey Express
1,062
Supplemental Service - Parade of Lights
497
53 South County Express
454
54 Monterey - Airport Business Center
149
-
10,000
20,000
30,000
40,000
50,000
60,000


Productivity by Line - November 2006
Passengers Per Hour
11 Carmel-Edgewater
49.46
MST Trolley The WAVE
48.23
44 Westridge
47.95
10 Fremont-Ord Grove
45.07
9 Fremont-Hilby
38.28
41 East Alisal - Northridge
36.14
43 Memorial Hospital
35.32
42 East Alisal - Westridge
34.36
20 Monterey-Salinas
30.33
Supplemental Service - Parade of Lights
29.82
5 Carmel Rancho
27.18
1 Asilomar
24.15
29 Watsonville-Salinas
21.00
4 Carmel Rancho
20.28
28 Watsonville-Salinas
17.23
46 Natividad
17.10
45 East Market-Creekbridge
16.81
2 Pacific Grove
15.45
23 Salinas-King City
11.69
21 Monterey-Salinas
8.56
48 East Salinas - Airport Business Center
7.49
17 Edgewater-Marina
6.09
16 Edgewater-Marina
5.65
27 Watsonville-Monterey
5.41
49 Northridge
4.17
53 South County Express
3.65
Monterey Peninsula DART
3.38
55 San Jose - Monterey Express
2.93
24 Carmel Valley-Carmel Rancho
2.54
54 Monterey - Airport Business Center
2.37
-
10
20
30
40
50
60


Schedule Adherence by Line - November 2006
Percent On-time Timepoints
44 Westridge
97.0%
2 Pacific Grove
94.3%
27 Watsonville-Monterey
94.2%
4 Carmel Rancho
93.4%
1 Asilomar
91.7%
5 Carmel Rancho
91.0%
9 Fremont-Hilby
89.0%
11 Carmel-Edgewater
88.6%
20 Monterey-Salinas
88.2%
10 Fremont-Ord Grove
86.8%
17 Edgewater-Marina
85.4%
24 Carmel Valley-Carmel Rancho
84.7%
23 Salinas-King City
84.6%
16 Edgewater-Marina
82.3%
49 Northridge
81.0%
28 Watsonville-Salinas
80.9%
54 Monterey - Airport Business Center
80.7%
42 East Alisal - Westridge
79.0%
41 East Alisal - Northridge
78.2%
46 Natividad
77.7%
21 Monterey-Salinas
76.6%
29 Watsonville-Salinas
76.4%
55 San Jose - Monterey Express
71.4%
45 East Market-Creekbridge
71.3%
48 East Salinas - Airport Business Center
71.0%
53 South County Express
70.2%
43 Memorial Hospital
59.1%
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
87% adherence standard

## *November 2006*

| | |
|---|---|
| Systemwide Ridership: | 386,128 |
| Systemwide Revenue Hours: | 16,331.88 |
| Systemwide Revenue Miles: | 254,366.4 |

***Primary Routes***

| Line | Ridership | VRHrs | VRMi | Pax/Hr | % Riders | % Hrs |
|---|---|---|---|---|---|---|
| 1 Asilomar | 16,543 | 685:05:00 | 7,046.7 | 24.15 | 4.3% | 4.2% |
| 9 Fremont-Hilby | 35,361 | 923:46:00 | 9,062.6 | 38.28 | 9.2% | 5.7% |
| 10 Fremont-Ord Grove | 47,508 | 1054:12:00 | 10,920.8 | 45.07 | 12.3% | 6.5% |
| 41 East Alisal - Northridge | 56,820 | 1572:13:00 | 17,112.9 | 36.14 | 14.7% | 9.6% |
| 42 East Alisal - Westridge | 43,097 | 1254:08:00 | 13,065.2 | 34.36 | 11.2% | 7.7% |
| **Total** | **199,329** | **5489:24:00** | **57,208.2** | **36.31** | **51.6%** | **33.6%** |

***Neighborhood Routes***

| Line | Ridership | VRHrs | VRMi | Pax/Hr | % Riders | % Hrs |
|---|---|---|---|---|---|---|
| 2 Pacific Grove | 7,114 | 460:31:00 | 4,691.0 | 15.45 | 1.8% | 2.8% |
| 16 Edgewater-Marina | 2,415 | 427:45:00 | 6,963.0 | 5.65 | 0.6% | 2.6% |
| 17 Edgewater-Marina | 2,720 | 446:59:00 | 7,668.2 | 6.09 | 0.7% | 2.7% |
| 45 East Market-Creekbridge | 6,568 | 390:45:00 | 5,274.6 | 16.81 | 1.7% | 2.4% |
| **Total** | **18,817** | **1726:00:00** | **24,596.8** | **10.90** | **4.9%** | **10.6%** |

***Local Routes***

| Line | Ridership | VRHrs | VRMi | Pax/Hr | % Riders | % Hrs |
|---|---|---|---|---|---|---|
| 4 Carmel Rancho | 12,412 | 612:06:00 | 6,875.7 | 20.28 | 3.2% | 3.7% |
| 5 Carmel Rancho | 14,112 | 519:15:00 | 5,650.4 | 27.18 | 3.7% | 3.2% |
| 11 Carmel-Edgewater | 3,661 | 74:01:00 | 1,117.5 | 49.46 | 0.9% | 0.5% |
| 43 Memorial Hospital | 10,403 | 294:30:00 | 3,429.0 | 35.32 | 2.7% | 1.8% |
| 44 Westridge | 15,725 | 327:57:00 | 3,496.3 | 47.95 | 4.1% | 2.0% |
| 46 Natividad | 2,933 | 171:30:00 | 1,623.8 | 17.10 | 0.8% | 1.1% |
| 49 Northridge | 1,730 | 414:40:00 | 2,899.5 | 4.17 | 0.4% | 2.5% |
| **Total** | **60,976** | **2413:59:00** | **25,092** | **25.26** | **15.8%** | **14.8%** |

***Regional Routes***

| Line | Ridership | VRHrs | VRMi | Pax/Hr | % Riders | % Hrs |
|---|---|---|---|---|---|---|
| 20 Monterey-Salinas | 52,972 | 1746:36:00 | 33,742.8 | 30.33 | 13.7% | 10.7% |
| 21 Monterey-Salinas | 1,417 | 165:33:00 | 2,734.2 | 8.56 | 0.4% | 1.0% |
| 23 Salinas-King City | 8,459 | 723:47:00 | 21,654.0 | 11.69 | 2.2% | 4.4% |
| 24 Carmel Valley-Carmel Rancho | 1,368 | 537:33:00 | 11,967.6 | 2.54 | 0.4% | 3.3% |
| 27 Watsonville-Monterey | 1,719 | 317:48:00 | 7,507.5 | 5.41 | 0.4% | 1.9% |
| 28 Watsonville-Salinas | 11,832 | 686:32:00 | 19,174.2 | 17.23 | 3.1% | 4.2% |
| 29 Watsonville-Salinas | 18,758 | 893:15:00 | 15,273.0 | 21.00 | 4.9% | 5.5% |
| 48 East Salinas - Airport Business Center | 1,804 | 240:48:00 | 4,298.7 | 7.49 | 0.5% | 1.5% |
| 53 South County Express | 454 | 124:13:00 | 4,338.4 | 3.65 | 0.1% | 0.8% |
| 54 Monterey - Airport Business Center | 149 | 63:00:00 | 2,154.6 | 2.37 | 0.0% | 0.4% |
| 55 San Jose - Monterey Express | 1,062 | 362:15:00 | 14,598.0 | 2.93 | 0.3% | 2.2% |
| **Total** | **99,994** | **5861:20:00** | **137,443.0** | **17.06** | **25.9%** | **35.9%** |

***DART***

| Line | Ridership | VRHrs | VRMi | Pax/Hr | % Riders | % Hrs |
|---|---|---|---|---|---|---|
| Monterey Peninsula DART | 2,507 | 741:24:00 | 9,308.0 | 3.38 | 0.6% | 4.5% |
| **Total** | **2,507** | **741:24:00** | **9,308.0** | **3.38** | **0.6%** | **4.5%** |

***Seasonal / Supplemental Service***

| Line | Ridership | VRHrs | VRMi | Pax/Hr | % Riders | % Hrs |
|---|---|---|---|---|---|---|
| 36, 37, 38, 39 Laguna Seca | 0 | 0:00:00 | - | 0.00 | 0.0% | 0.0% |
| 43 Supplemental - Parade of Lights | 497 | 16:40:00 | 126.0 | 29.82 | 0.1% | 0.1% |
| **Total** | **4,505** | **99:46:00** | **718.2** | **45.16** | **1.2%** | **0.6%** |

December 29, 2006

TO: Carl G. Sedoryk, General Manager/CEO

FROM: M. Hernandez, Chief Operating Officer

SUBJECT: Monthly Maintenance Report for November 2006

This summary report highlights fuel, fleet and facilities information for the month of November. Detailed statistical information is also attached.

**Fuel Prices:**

Diesel, gasoline and CNG fuel prices per gallon (or equivalent) were as follows:

| | November Low | November High | October Average | November Average | % Change |
|---|---|---|---|---|---|
| Diesel | $2.05 | $2.18 | $2.03 | $2.13 | 4.9% |
| Gasoline | $1.99 | $2.12 | $2.07 | $2.07 | 0.0% |
| | | CNG Fuel: | $1.27 | $0.98 | -22.8% |
| | | ^ CARS Total Costs: | $3.32 | | |

^ Costs include construction expenses since MST's takeover of the CARS and estimated additional construction/repair expenses. CNG fuel costs are included and averaged for the remainder of the estimated 25-months that MST will be operating the CARS station.

**Fleet Status:**

On November 14 -16 the CHP conducted an annual terminal inspection. This is the first terminal inspection using the Maximus system and MST successfully passed the inspection and detailed fleet records review. Installation of new emission filters on 6 trolleys continued during the month. Three new RIDES vehicles were placed into service.

In November there were a total of 33 total road calls, of which 27 were maintenance related and six non-mechanical or passenger related. The diesel fleet had 21 mechanical road calls and the CNG fleet had six road calls.

| Road Call Rate Goal: 7,000 Miles Or More | Diesel Fleet | CNG Fleet | Fleet Wide |
|---|---|---|---|
| November | 11,869 | 4,300 | 16,169 |
| Past 12 Months: | 14,475 | 4,105 | 18,579 |
| **Operating Cost Per Mile** | **Diesel Fleet** | **CNG Fleet** | **Difference** |
| November | $0.73 | $1.25 | 71.2% |
| FY07 Year To Date: | $0.73 | $1.08 | 47.9% |

**Facilities:**

The CARS station was out of service on two occasions during the month. Staff also conducted a 500-hour preventative maintenance service on the one functioning compressor. Minor roof repair was conducted at TDA above the archive room.

Michael Hernandez

# November 2006
# MST Operated Fixed Route Bus Fleet - Summary Information

| Active Fleet Series | Manufacturer Model/Year | Quantity | Engine | Fuel Type | MPG | Average Life To Date Miles |
|---|---|---|---|---|---|---|
| 800 - 808 | Flexible - 1995 | 8 | Detroit DC Series 50 CNG | CNG | 2.37 | 251,994 |
| 1000 - 1009 | Orion - 1996 | 9 | Cummins L-10 CNG | CNG | 2.37 | 259,837 |
| 1101 - 1121 | Gillig - 2000 | 21 | Cummins ISM 280 HP | Diesel | 4.16 | 331,487 |
| 1122 - 1129 | Gillig - 2003 | 8 | Detroit DC Series 50 ERG | Diesel | 4.37 | 120,545 |
| 1700 - 1712 | Gillig Low-floor 2002 | 12 | Cummins ISM 280 HP | Diesel | 4.06 | 162,450 |
| 1713 - 1724 | Gillig Low-floor 2003 | 12 | Detroit DC Series 50 ERG | Diesel | 4.06 | 100,189 |
| 1801 - 1804 | Gillig Suburban 2002 | 4 | Cummins ISM 280 HP | Diesel | 5.31 | 219,796 |
| 1805 -1808 | Gillig Suburban 2003 | 4 | Detroit DC Series 50 ERG | Diesel | 5.12 | 159,674 |

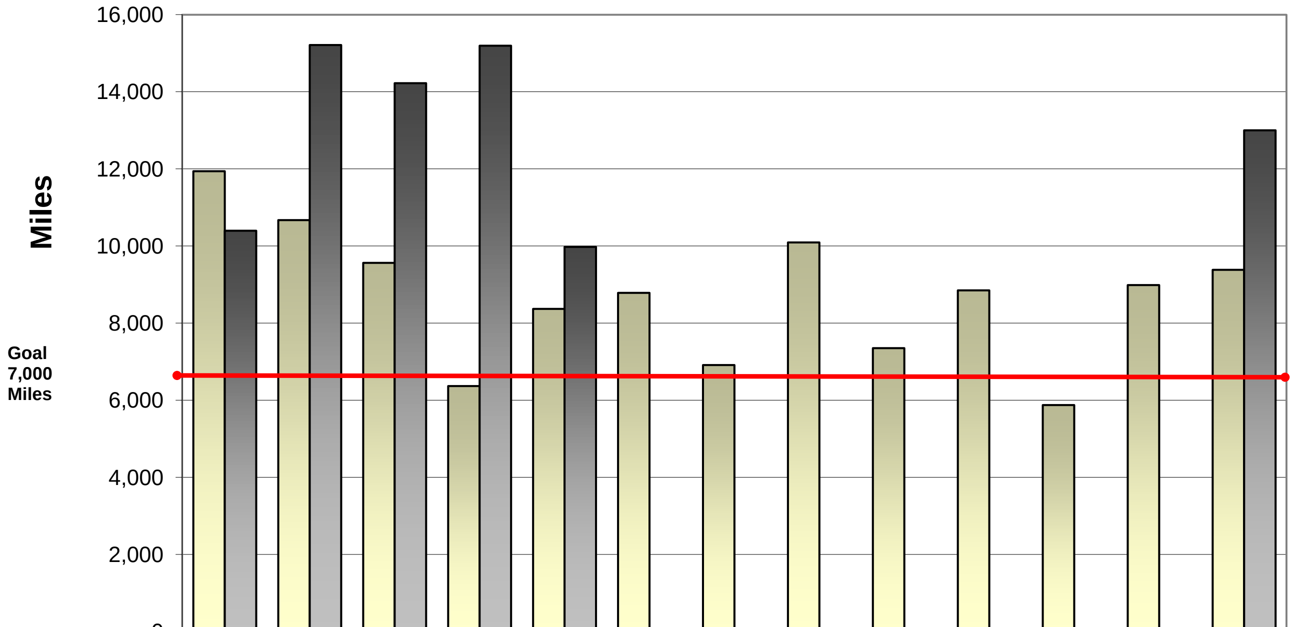
| Historical Fleet | Manufacturer Model | Quantity | Fuel Type | Average Life To Date Miles |
|---|---|---|---|---|
| 80 | Fageol Twin Coach - 1948 | 1 | Gasoline | N/A |
| 93 | GMC - 1957 | 1 | Gasoline | 335,000 |

| Fuel Used | Diesel Fleet | CNG Fleet |
|---|---|---|
| Miles Traveled | 213,648 | 25,797 |
| Gallons/ Equivalent | 46,658 | 10,890 |
| Average Miles/Gallon | 4.51 | 2.37 |
| Engine Oil Used (Quarts) | 35 | 60 |
| Average Miles/Quart | 6,104 | 430 |

| Inventory Value | |
|---|---|
| Fuel, Coolant, Lubricants | $52,275.52 |
| Parts/ Supplies | $248,458.10 |
| Total Value | $300,733.62 |

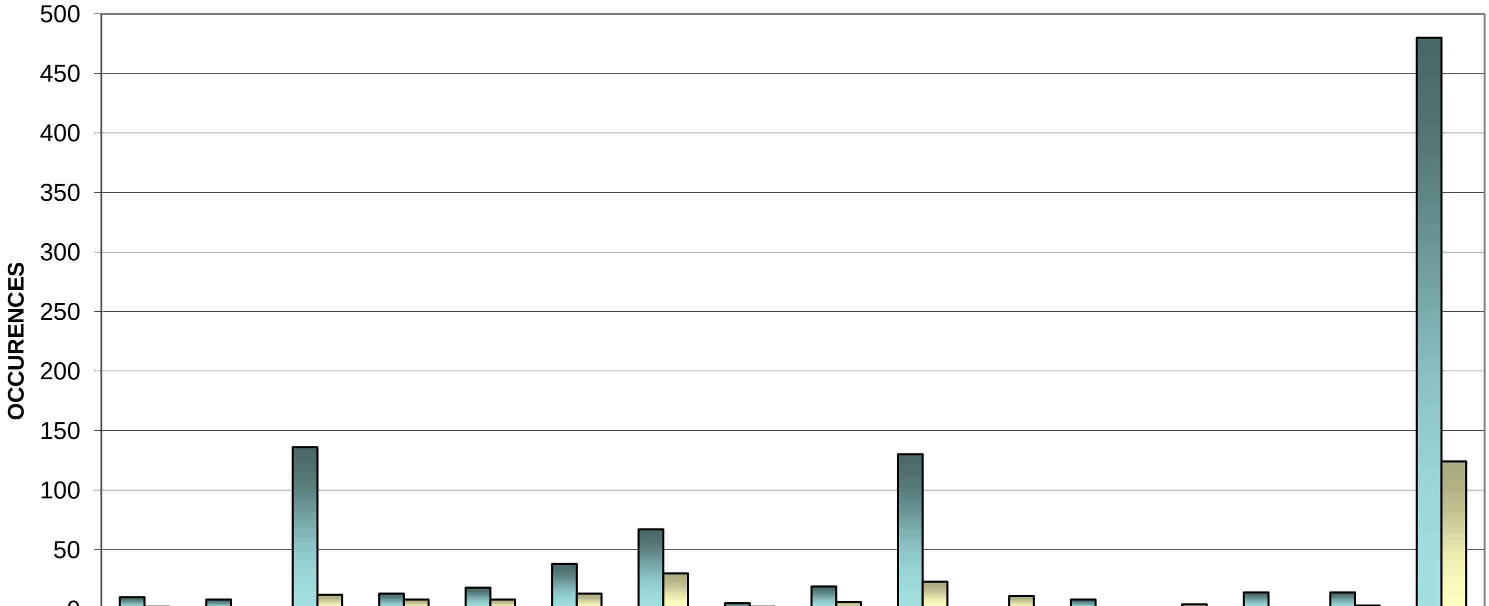
| Repeat Road Calls | 0 |
|---|---|

## Fleet Wide Miles Between Roadcalls
## FY06 vs. FY07 - Year to Date




| | Jul | Aug | Sept | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Aver. YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FY06 | 11,941 | 10,672 | 9,563 | 6,367 | 8,369 | 8,785 | 6,912 | 10,093 | 7,351 | 8,850 | 5,874 | 8,987 | 9,382 |
| FY07 | 10,397 | 15,215 | 14,225 | 15,197 | 9,977 | | | | | | | | 13,002 |

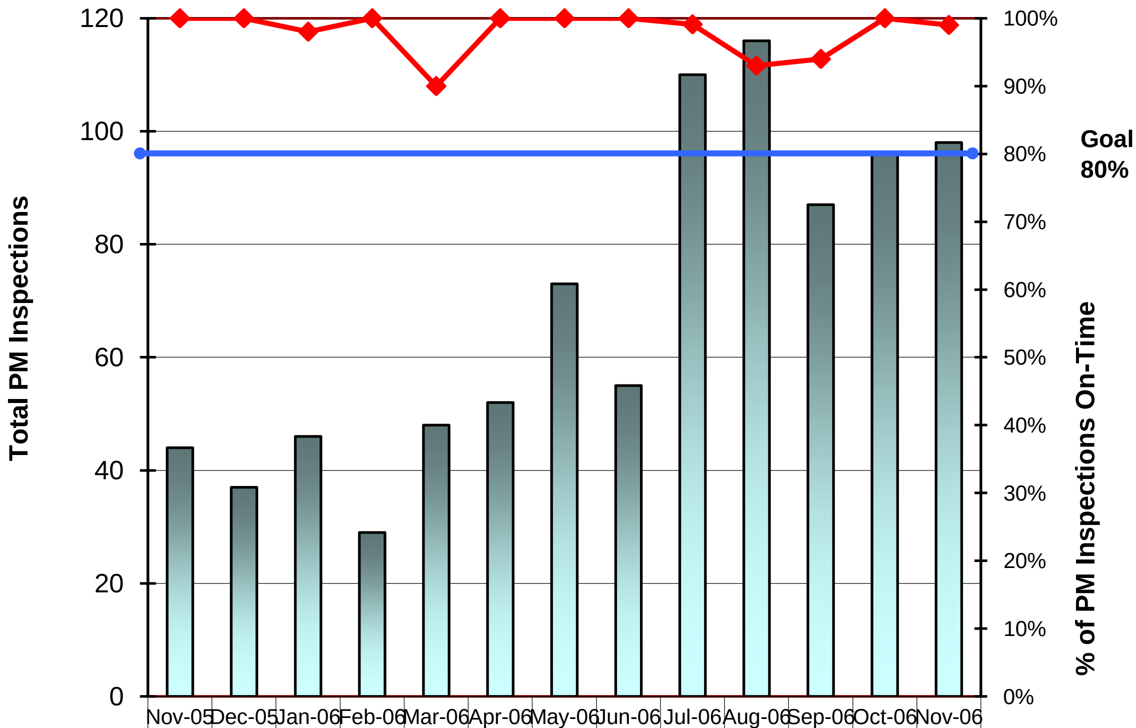
## All ROAD CALLS - BY CATEGORY
## FY 2006 & 2007 - CUMULATIVE YEAR-TO-DATE




| | Air Sys. | Brakes | Exhaust | Cooling | Doors | Elec-trical | Engine | Trans-missio | Fare box | Other Non-Me | Pass. /Sick | Radio/ ACS | Tire | Vandal | Wheel Chair Lift | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FY06 | 10 | 8 | 136 | 13 | 18 | 38 | 67 | 5 | 19 | 130 | 0 | 8 | 0 | 14 | 14 | 480 |
| FY07 | 2 | 1 | 12 | 8 | 8 | 13 | 30 | 2 | 6 | 23 | 11 | 1 | 4 | 0 | 3 | 124 |

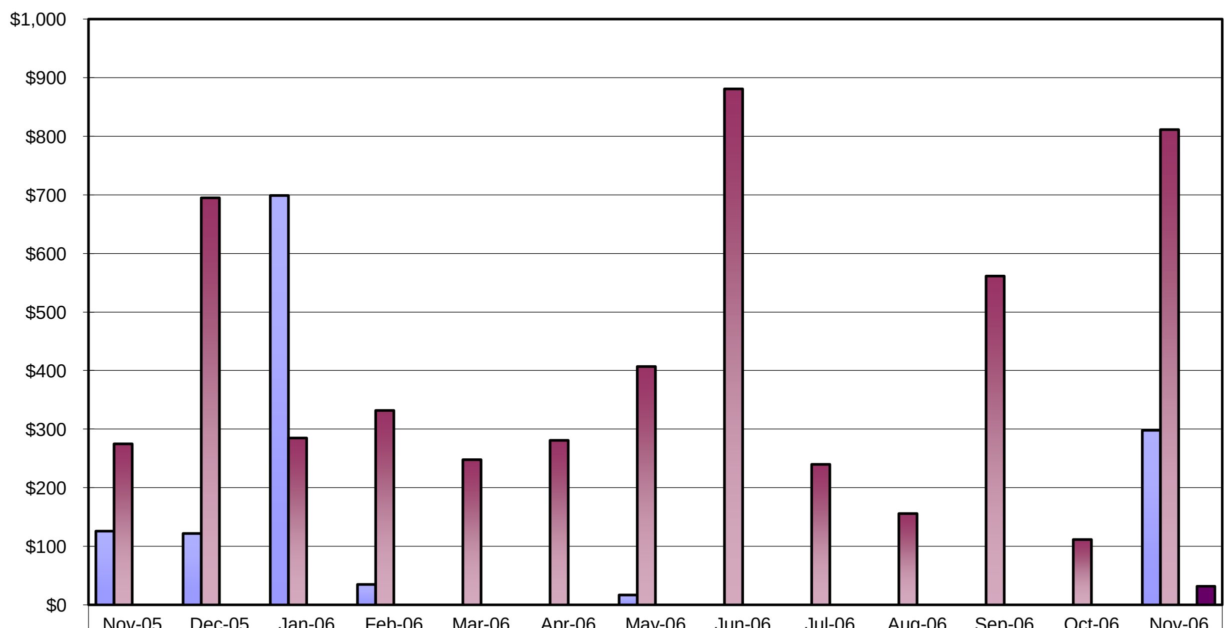
* "Other" category includes: Fluid leaks, Lights, Windshield Wipers other items.

## PREVENTIVE MAINTENANCE INSPECTIONS
## PAST TWELVE MONTHS




| | Nov-05 | Dec-05 | Jan-06 | Feb-06 | Mar-06 | Apr-06 | May-06 | Jun-06 | Jul-06 | Aug-06 | Sep-06 | Oct-06 | Nov-06 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Inspections | 44 | 37 | 46 | 29 | 48 | 52 | 73 | 55 | 110 | 116 | 87 | 96 | 98 |
| On Time | 100% | 100% | 98% | 100% | 90% | 100% | 100% | 100% | 99% | 93% | 94% | 100% | 99% |

## VANDALISM COSTS - PAST 12 MONTHS

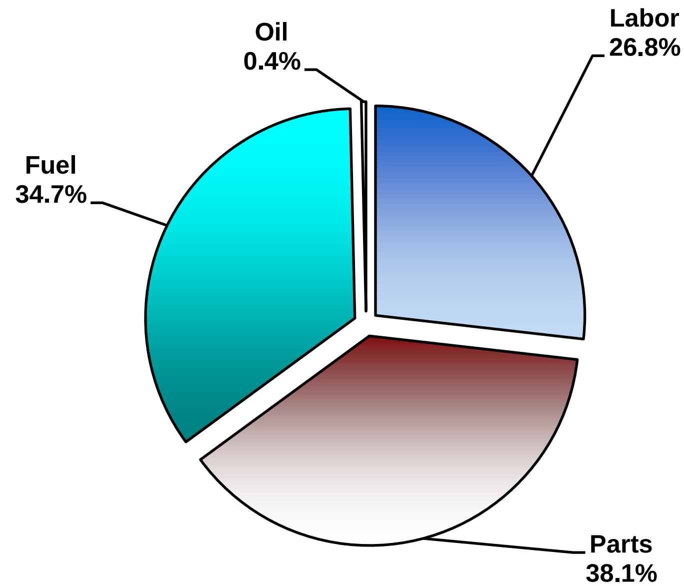



| | Nov-05 | Dec-05 | Jan-06 | Feb-06 | Mar-06 | Apr-06 | May-06 | Jun-06 | Jul-06 | Aug-06 | Sep-06 | Oct-06 | Nov-06 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Buses | $126 | $122 | $699 | $35 | $0 | $0 | $17 | $0 | $0 | $0 | $0 | $0 | $298.14 |
| Bus Stops | $275 | $695 | $285 | $332 | $248 | $281 | $407 | $881 | $240 | $156 | $561 | $112 | $811.50 |
| STC | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0.00 |
| MTX | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $31.50 |

## CNG Fleet Cost per Mile
**November 2006**

Cost per mile - $1.25

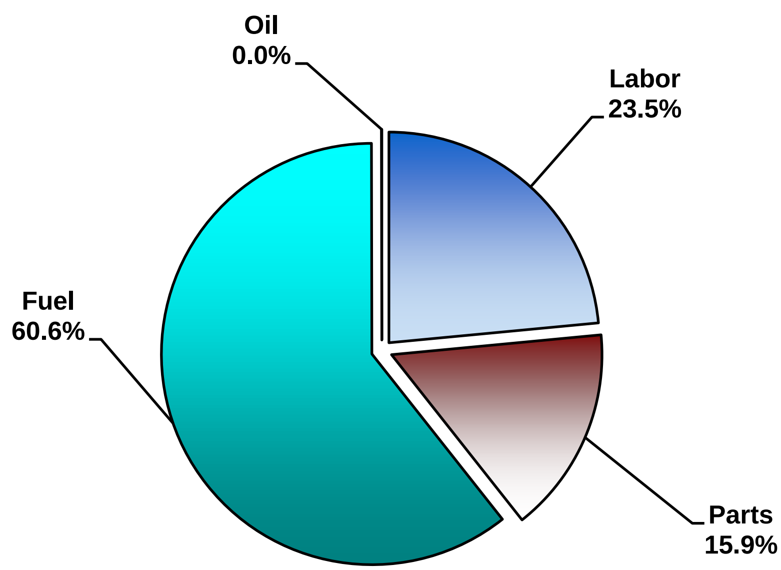
Total CNG Miles - 25,797



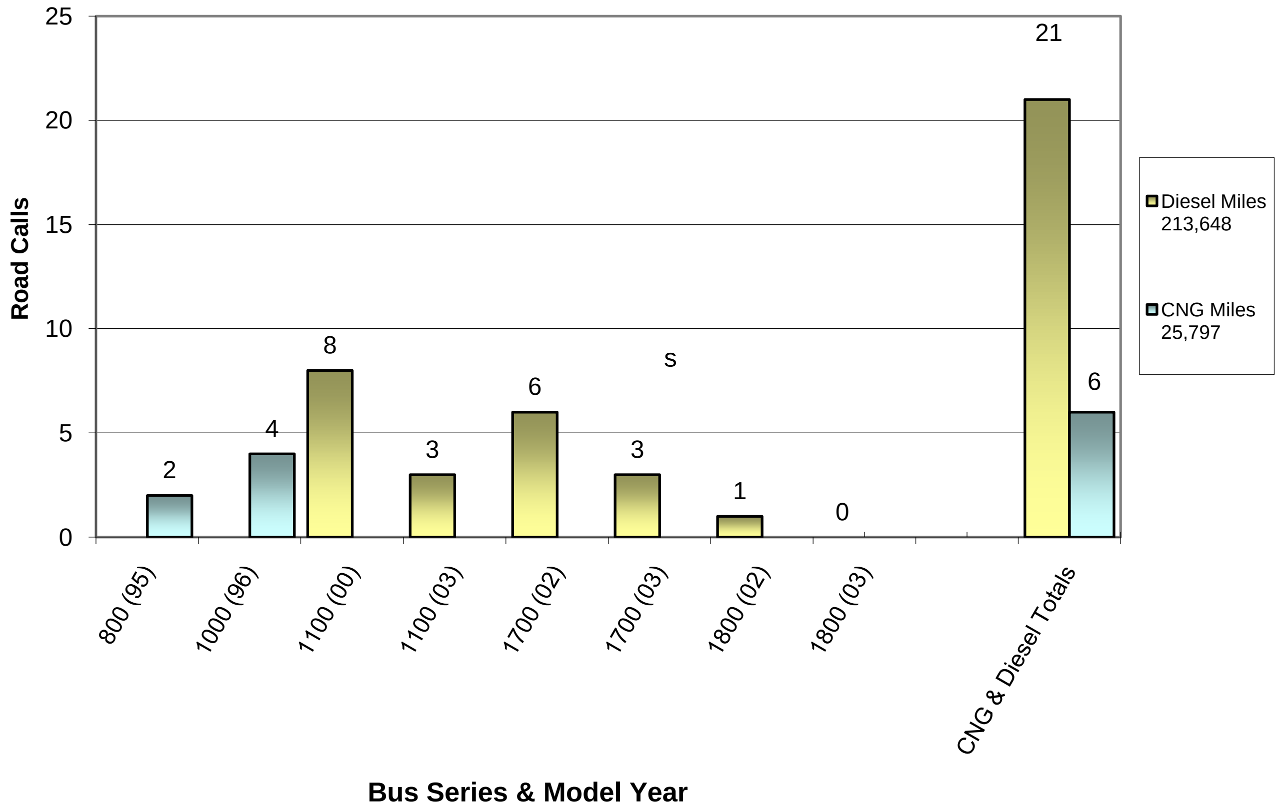

## Diesel Fleet Cost per Mile
**November 2006**

Cost per Mile - $.73

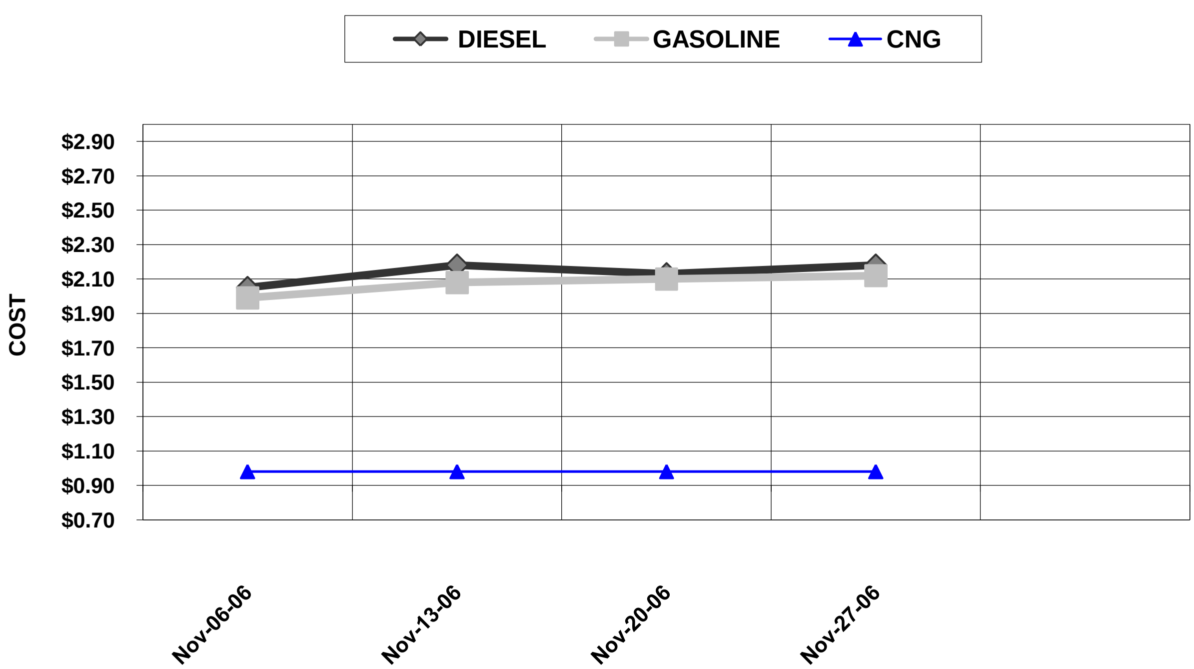
Total Diesel Miles - 213,648

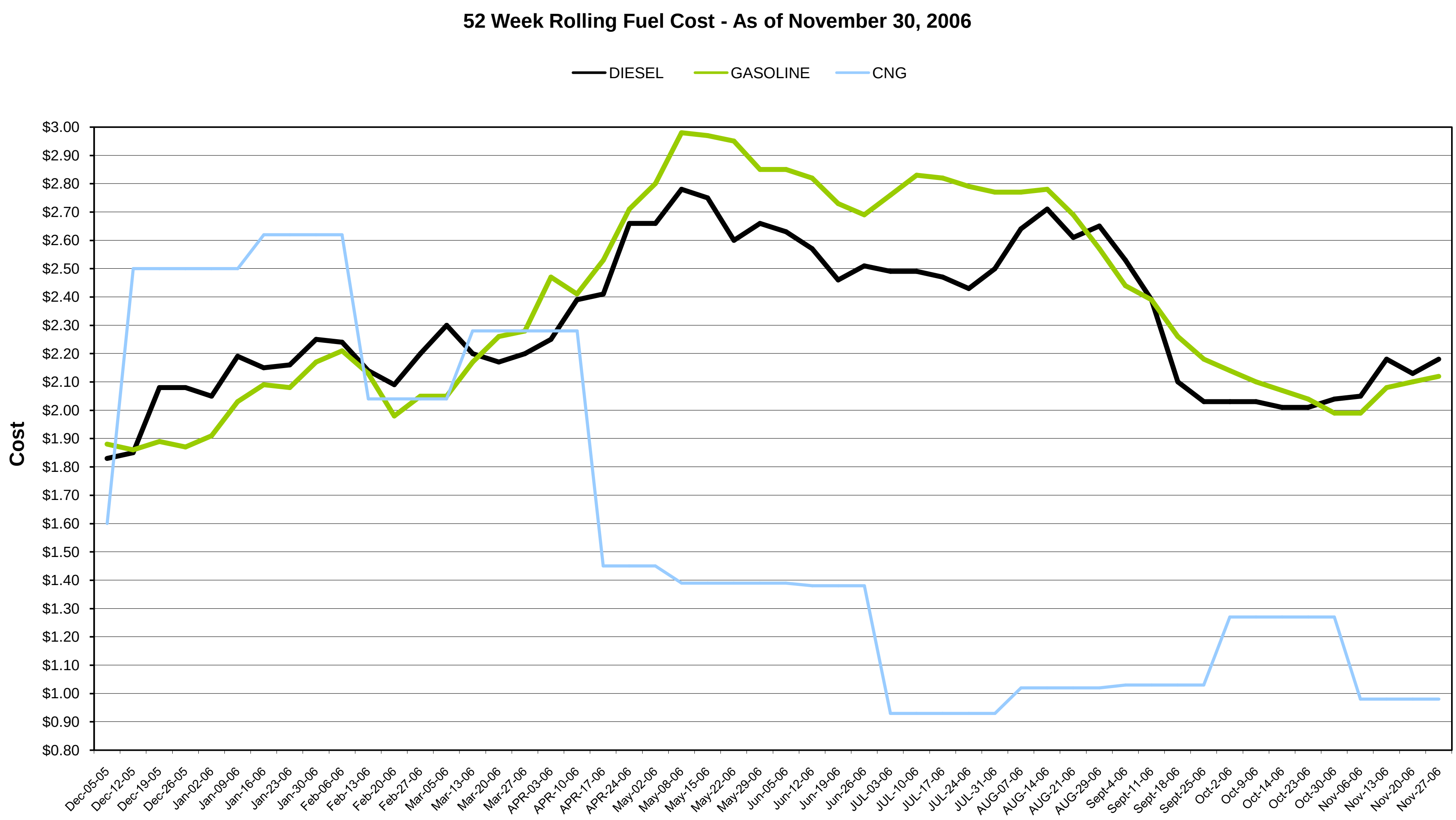


## MECHANICAL ROAD CALLS BY BUS SERIES
## November 2006
## Total CNG & Diesel Roadcalls: 27




## WEEKLY FUEL COST






52 Week High Diesel $3.00, Low $1.78, Average $2.30
High Gasoline $2.98, Low $1.86, Average $2.37
High CNG $2.62, Low $.93, Average $1.59

Fuel Budget: Diesel 2.48/Gallon
Gasoline $2.41/Gallon
CNG $2.15/Gallon

Date: November 30, 2006

To: C. Sedoryk, General Manager/CEO

From: Lyn Owens, Director Human Resources; Hunter Harvath, Director of Administration; Brigga Mosca, Marketing & Sales Manager; Mark Eccles, Director Information Technology

Subject: **Administration Department** Monthly Report November 2006

The following significant events occurred in Administration work groups for the month of November 2006:

**Human Resources**

Employment activity for the month of November 2006 is summarized as follows:

| Department | Title | Transaction | Hire Date | Term Date |
|---|---|---|---|---|
| Maintenance | Capital/Facilities Mgr. | New Hire | 11/06/2006 | |
| Operations | Coach Operator | Resigned | 11/08/2006 | |

Total employment levels for November 2006 is summarized as follows:

| Positions | Budget | Actual | Difference |
|---|---|---|---|
| Coach Operators / Trainees | 126 | 126 | 0 |
| C/O on Long Term Leave | 10 | 5 | -5 |
| Coach Operators Limited Duty | 1 | 1 | 0 |
| Operations Staff | 22 | 22 | 0 |
| Maintenance & Facilities | 42 | 41 | -1 |
| Administration (Interns 2 PT) | 21.5 | 21 | -0.5 |
| **Total** | **222.5** | **216** | **-6.5** |

Workers Compensation statistics are as follows:

| November 2006 | |
|---|---|
| **Total Expenses** | $229,499 |
| Reserves | $1,154,968 |
| # Open cases | 56 |
| # Closed cases | 6 |
| Average Reserves per Open claim | $20,625 |
| # Open with no financial activity | 22 |

In the month of November, all training attended occurred outside of the agency. The new Paratransit Eligibility Specialist attended training for making ADA Paratransit Determinations through the National Transit Institute in Tucson, Arizona. This two-day workshop provided information on major issues surrounding ADA paratransit eligibility determinations. Two Operations Supervisors and one Maintenance Supervisor attended a workshop on Management Skills for First-Time Supervisors provided by National Seminars Group Padgett-Thompson. This workshop provided the skills to manage and motivate those in the workforce. The Chief Operating Officer and one of his Maintenance Supervisors attended a weeklong workshop through APTA on Bus Technical, Maintenance & Procurement. Some of the many topics covered were Supplier Management, Bio-Diesel, Diesel Particulate Traps, Maintenance Management Software and In-Plant Bus Inspections. At the end of November, the Director of Administration and the Planner attended training at the Monterey Hyatt on the new federal SAFETEA requirements for the Coordinated Human Services Plan for 5310, JARC, and New Freedoms grants. This workshop was provided by Cal-Act at no additional cost to MST.

| Description | Attendees |
|---|---|
| Management Skill for First-Time Supervisors | 3 |
| Bus Technical, Maintenance & Procurement Workshop | 2 |
| ADA Paratransit Eligibility Determinations Training Workshop | 1 |
| SAFETEA requirements for Coordinated Human Services Plan for 5310, JARC and New Freedoms Grant | 2 |

**Risk Management Update**

| | November 2005 Preventable | | November 2006 Preventable | |
|---|---|---|---|---|
| **Description** | **Yes** | **No** | **Yes** | **No** |
| Collision w/ a vehicle | 1 | 1 | 0 | 4 |
| Collision w/ a stationary object | 0 | 0 | 2 | 0 |
| Unreported Damage | 0 | 0 | 0 | 1 |
| Passenger Injury | 0 | 1 | 0 | 0 |
| **Totals** | 1 | 2 | 2 | 5 |

**Liability Claims Paid/Recovered – Property and Personal Injury**

$560.06 was paid. $21,592.00 was recovered.

**Customer Services Update**

Customer Service received 50 customer comments during the month as follows:

| | November 06 | % | November 05 | % |
|---|---|---|---|---|
| Employee Compliment | 3 | 6.00% | 5 | 10.87% |
| Service Compliment | 4 | 8.00% | 1 | 2.17% |
| | | | | |
| Request To Add Service | 11 | 22.00% | 5 | 10.87% |
| Passed By | 7 | 14.00% | 3 | 6.52% |
| Improper Employee Conduct | 6 | 12.00% | 6 | 13.04% |
| Improper Driving | 3 | 6.00% | 5 | 10.87% |
| Bus Stop Amenities | 3 | 6.00% | 2 | 4.35% |
| Late Arrival | 3 | 6.00% | 4 | 8.70% |
| Early Departure | 3 | 6.00% | 1 | 2.17% |
| Fare / Transfer Dispute | 2 | 4.00% | 2 | 4.35% |
| No Show | 2 | 4.00% | 4 | 8.70% |
| Late Departure | 1 | 2.00% | 0 | 0.00% |
| Unsafe Conditions | 1 | 2.00% | 1 | 2.17% |
| Passenger Conduct | 1 | 2.00% | 1 | 2.17% |
| Inaccurate Public Information | 0 | 0.00% | 1 | 2.17% |
| Passenger Injury | 0 | 0.00% | 3 | 6.52% |
| Vehicle Maintenance | 0 | 0.00% | 1 | 2.17% |
| Overcrowding | 0 | 0.00% | 1 | 2.17% |
| | | | | |
| | 50 | 100.00% | 46 | 100.00% |

"Request To Add Service" reports showed the largest increase over November 2005 and also represents the largest percent (22%) of overall service reports in November 2006. A review of these reports showed a variety of requests for additional service on lines 16, 17, 21, 27, 43, and 55. "Passenger Injury", "No Show", and "Improper Driving" categories all showed a measurable decrease over the previous year.

**Marketing and Sales Update**

Advertising revenue for the month of November totaled $14,870. Clients included Comcast, Northern California Toyota Dealers, Monterey Regional Water Pollution Control Agency, Friends of Sunset Center and Monterey Peninsula Chamber of Commerce.

Media activities included press releases written and distributed for: Veteran's Day bus schedule, MST Trolley in service during Thanksgiving holiday, Thanksgiving holiday bus schedule and MST accident rate lowest on record. Published stories include: regional coverage of Grapevine Express (Westways Magazine), regional coverage of 55 San Jose Express (Altamont Commuter Express news), "Shop Local" program with MST as a participant, MST holiday schedules, feature story with interviews on MST's record low for accidents (Monterey County Herald) and MST's participation in Salinas Parade of Lights. Radio advertising purchased on KBAY for month of November for regional promotion of Line 55. Ridership totals for the 4 weeks during the broadcast increased 10% over the previous 4 weeks.

Marketing activities included: new bus portrait taken at the Steinbeck House in Salinas and new bus passenger photos taken, completion of annual report and new bus advertising media kit, design and development of MST monthly bus passes for 2007 and managed updating of MST's mailing list database.

**Planning Update**

During the month of November, staff continued planning for the Salinas Holiday Parade of Lights as well as for the January 27, 2007, route changes recommended by the Peninsula Area Service Analysis. Staff continued working with Bay Area Economics on the MST Land Use & Development Policy study and met with Monterey County to discuss possible projects for MST's land on the former Fort Ord. Staff participated in a Wi-fi-on-buses demonstration with Santa Cruz Metro and worked with TAMC and Metro on our joint Intern program. Staff taped an interview with the Bay Area CBS affiliate on the Carmel Valley Grapevine Express and appeared on the "Your Town" cable access program to discuss transit issues and the Unmet Needs process.

Staff continued efforts to get the Marina Transit Station construction project awarded at the December Board meeting. Staff attended regular meetings of MCHA, FORA, Central Coast ITS and TAMC, and participated in a series of meetings regarding transit access to Monterey Peninsula College's property on the former Fort Ord as well as the East Garrison Development project. Staff met with representatives with the Monterey Peninsula Unified School District to discuss cooperative efforts to increase transit ridership.

Staff attended a Cal-ACT training session regarding the new requirements for the federal JARC and New Freedoms grant programs. Mary Archer continued her participation in the Leadership Monterey Peninsula program and attended a class from the Mineta Institute at San Jose State University on transit marketing and communication management.

## Information Technology Update

Staff continued working on outstanding warranty claims with the Siemens Transitmaster system. Staff continued to configure software for the ongoing implementation of the Maximus Maintenance system. Staff continued to configure hardware and software for the ongoing implementation of the FAMIS Accounting system. Staff updated software components of MST workstations. Staff continued developing functionality of the Payroll and Customer Service databases. Staff were working on upgrading servers and reconfiguring the network infrastructure of the MST computer system. Staff continued to support MST staff as needed, proactively ensuring MST staff were supported fully with their IT needs.

# Monterey-Salinas Transit

*Washington, D.C. Office*

FAX DATE: December 22, 2006

TO: Carl Sedoryk

FROM: Thomas P. Walters

The following report summarizes recent actions taken on behalf of Monterey-Salinas Transit:

- Discussed Federal funding for MST projects with House Transportation and Infrastructure Committee staff.

- Consulted with MST on 2007 Federal agenda and advised on lobbying strategies for bus replacement, facilities funding, ITS and security improvement projects.

- Provided updates on FY 2007 appropriations legislation and outlook for FY 2008.

- Began advance planning for MST lobbying trips to Washington, DC.

TPW:dwg

# MEMO

**DATE:** January 1, 2007

**TO:** Carl Sedoryk, General Manager/CEO
Monterey-Salinas Transit

**FROM:** John E. Arriaga, President

**SUBJ:** December 2006 Activity Report

---

**Week of December 4, 2006**

- Attended and participated related activities for the Legislature's Swearing-In Ceremonies
- Continued to gather intelligence on the development of selection and project criteria for California's infrastructure bonds
- Provided Capitol Weekly Update Report that provided highlights of events and activities of the Swearing-In Ceremonies and Senate and Assembly Leadership, Caucuses, and Committee Chair appointments as well as gubernatorial appointments
- Coordinated and participated in meetings with Hunter Harvath in Sacramento with legislative staff regarding MST's 2007 State Priorities and met with CTA Executive Director Josh Shaw to discuss specific transit-related language and subsequent project criteria for transit agencies.
- Monitored introduction of legislation

**Week of December 11, 2006**

- Participated in MST Legislative Committee meeting
- Participated in MST Board Meeting and provided a presentation on highlights of 2006 and major issues for the Legislature in 2007
- Participated in the CTC Meeting in San Francisco on Dec. 13-14, 2006 and discussed with CTC Executive Director John Barna infrastructure bond fund for transit agencies
- Monitored Senate and Assembly Committee Chair Appointments
- Monitored gubernatorial appointments
- Monitored introduction of Legislation

**Week of December 18, 2006**

- Continued to gather intelligence on the development of selection and project criteria for California's infrastructure bonds
- Monitored Senate and Assembly Committee Chair Appointments
- Monitored gubernatorial appointments
- Monitored introduction of Legislation
- Worked on scheduling MTS legislative visits in Sacramento for January 2007

**Week of December 25, 2006**

- Continued to gather intelligence on the development of selection and project criteria for California's infrastructure bonds
- Monitored Senate and Assembly Committee Chair Appointments
- Monitored gubernatorial appointments
- Monitored introduction of Legislation
- Worked on scheduling MST legislative visits in Sacramento for January 2007
- Legislative Holiday: December 25-26, 2006 in observance of Christmas

Please feel free to contact me at (916) 669-1340 with any questions or concerns you may have regarding information contained in this report.

Agenda # **10-4**
January 8, 2007 Meeting

---

To: Board of Directors

From: D. Sobotka, Controller

Subject: Quarterly Performance Results Report – 1st Qtr FY 2007

**RECOMMENDATION:**

Receive quarterly performance results.

**FISCAL IMPACT:**

None.

**POLICY IMPLICATIONS:**

None. Information only.

**DISCUSSION:**

This report is for the 1st Quarter ending September 30, 2006. The Quarterly Report is divided into four sections: FY 2007 Goals and Objectives, Key Business Driver Performance Results, Budget Control Results and Capital Projects Status.

**FY 2007 Goals and Objectives (Attachment 1).** Annual goals and objectives are adopted by the Board prior to the start of the fiscal year. MST staff is current with the goals and objectives for FY 2007.

**Key Business Driver Performance Results (Attachment 2).** Key Business Drivers are derived from MST's Mission Statement. The drivers listed below are reported in Attachment 2.

Key Business Driver #1 - Operate safely, efficiently and effectively
Key Business Driver #2 - Increase customer satisfaction

Key Business Drivers #3 and #4 are reported annually and not included in this quarter's results. They are:

Key Business Driver #3 – Strengthen employee development and satisfaction.
Key Business Driver #4 – Enhance support by MST members and other stakeholders.

**Budget Control Results (Attachment 3 through 6).** This section has four parts, described below.

*Revenues and Expenditures.* Actual revenues and expenditures are compared to the budget in Attachment 3. With a few exceptions we are ahead of budget at 25% through the year.

*Monthly Boardings.* Monthly boardings for Fixed-Route Bus and MST RIDES are shown in Attachment 4. Fixed Route Ridership is slightly higher than last year. MST RIDES usage is decreasing as new customers are being carefully screened.

*Comparative Statistics.* Key Monthly Statistics are presented for Fixed-Route Bus and MST RIDES in Attachment 5. Cost measures are generally favorable when compared to prior year levels.

*Insurance Reserve Funds.* Actual reserves are compared to actuary targets in Attachment 6. Results show that reserves are below the suggested balances, but staff, as well as the auditors, believe the reserve levels determined from the recent actuarial study are overstated.

**Major Capital Projects Status (Attachment 7).** MST has several Major Capital Projects for Fixed-Route Bus, which staff monitors for spending against funding sources over multiple years. These projects are included in Attachment 7.

PREPARED BY: ____________________ REVIEWED BY: ______________________
Dave Sobotka Carl Sedoryk

Attachments:
1. FY 2007 Goals and Objectives
2. Key Business Driver Performance Results
3. Revenues and Expenditures
4. Insurance Funds
5. Major Capital Projects Status

Attachment 1

# FY 2007
# GOALS AND OBJECTIVES

Goal 1: Operate Safe, Effective and Efficient Transit Services.
Objective: Conduct business within approved budget and performance indicators

***Results**: Installation of safety and security cameras at MST facilities and on board MST buses, implementation of the Peninsula Area Service Study and of the Hastus Daily Dispatch and Attendance software system, Maximus Fleet Focus Maintenance and Materials Management system, and Serenic Navigator Financial and Human Resources Systems are either completed or on target. MST accident rate is at a historic low while system efficiency and effective targets continue to be met and exceeded.*

Goal 2: Grow Ridership
Objective: Increase Passenger Boardings by 2%.

***Results**: Passenger Boardings year to date increased 6.52%.*

Goal 3: Increase Customer Satisfaction
Objective: Achieve 80% Customer Satisfaction level in areas of On-Time Performance, Bus Stop Amenities, and Span of Service, and Service Frequency.

***Results**: Biennial Customer Satisfaction Survey is scheduled for October 2007 will show impacts of recent Salinas and Peninsula area service changes. Last survey performed in October 2005 indicated that 87% of customers rated MST services overall as good or excellent. On-time performance is at 82.3% year to date. Improved public information including online trip planning, real-time customer information at major transit stops, market specific route maps and timetables, increased pass sale outlets and online pass sales are projects now in process.*

Goal 4: Strengthen employee development and satisfaction
Objective: Achieve 90% employee satisfaction level as measured by annual employee survey.

***Results**: Last employee satisfaction survey was completed July 2005 with 95% of employees expressing satisfaction with employment at MST. Next employee satisfaction survey is scheduled for fourth quarter of 2007. Employee recognition programs and performance and safety incentives continue on an ongoing basis.*

# FY 2007
# GOALS AND OBJECTIVES
# (Continued )

Goal 5: Secure stable sources of funding by advocating the value of transit
Objective: Increase access to federal, state and local transit revenues.

***Results***: *Ongoing. Actively pursuing state and federal legislative programs. Have successfully received federal funds for rural transit services to improve services in South Monterey County, Carmel Valley and Big Sur. Received Air District funds for CNG station rehabilitation and ITS projects. Have developed funding partnerships with Santa Clara VTA and Capitol Corridor Joint Powers Board for funding of Line 55 San Jose Express.*

Goal 6: Enhance support by MST members and other stakeholders
Objective: Achieve a 90% stakeholder satisfaction rating as measured by annual stakeholder survey.

***Results***: *Ongoing. Annual MST members and stakeholder satisfaction survey will be conducted in January 2007.*

Goal 7: Advocate transit-friendly land-use planning
Objective: Provide local developers, jurisdictions, and policy makers with tools to assist the development of the communities we serve in a manner that promotes increased use of transit.

***Results***: *Completed revisions to MST Designing For Transit Manual and making presentation of materials to local jurisdictions, and other stakeholders.*

Goal 8: Develop MST properties to benefit the communities MST serves.
Objective: Identify means to develop MST properties in a manner that promotes increased transit use, provides stable long-term funding for MST, and is consistent with local jurisdiction land use guidelines.

***Results***: *Consultant developing a MST Master Plan for Land Use Development and Funding. Preliminary presentation to be given at January 2007 Board meeting. Contract awarded for construction of the Marina Transit Station before 12/31/2006, assured State funding of $2,500,000.*

December 1, 2006

To: J. Madler, Fleet Manager

From: R. Vandevert, Maintenance Supervisor

Subject: APTA – Bus Technical, Maintenance & Procurement Workshop

I attended the Bus Technical, Maintenance & Procurement Workshop in Pittsburgh, PA on November 14-17 2006. The annual conference was positive and helpful. It provided information, which is useful to me in the Maintenance Department.

**WORKSHOPS:**

Workshops focused on new technologies and best practices in the latest Maintenance and Procurement areas of Transit. The ideas were set forth in a way that was delivered by those agencies who have working experience with the topics set forth.

**APTA BRAKE STANDARDS:**

Allen Pierce from OCT, Ca. Spoke of the benefits of self-regulation as opposed to governmental laws. Development of Transit specific guidelines, which would improve operating and safety costs can be shared among participants. Bus builders, maintenance/repair shops, OEM and aftermarket parts all share in the benefits. We must standardize and create documents for inspections, deceleration meter testing, PBBT, lining certification, brake shoe rebuilding, reline procedure, troubleshoot guide-flow chart. “To turn or not to turn” brake drums and brake noise diagnosis.

**DISC BRAKES, A TRANSIT EXPERIENCE:**

Jon Drayton, Manager of Vehicle Technology for L.A. County Metropolitan Authority (LACMA) opened the session with discussion on disc brake’s ultimate performance in stopping distance. Maintenance cost for a disc brake job was compared with that of drum brake shoes. A typical time factor of 7 to 8 hours for a drum brake reline compares to 1 to 2 hours for a disc brake job. Rotors were discarded and new ones used when needed. Annual cost per bus for disc was approximately $2,300.00, which produces a savings of $42,800.00 over the life of the vehicle. They discovered that OEM brake pads worked best compared to after market pads. He felt that Meritor products were superior to others. There was also discussion of earlier version disc brakes, which gave the Industry a less than Grade “A” rating. Since then, those old versions have greatly improved and today’s bus disc brakes are extremely reliable and provide very good braking.

**BIO-DIESEL FOR TRANSIT USE:**

Lyle Howard, Manager of Product Development for Bi-State Development Agency in St. Louis, Illinois gave discussion to Bio-Diesel. It has been used successfully in the transit industry since 1992. Early versions was filtered canola oil that gave off a strong French-fry odor. These early fuel blends had an increase in Nitrous Oxides (Nox) of 20% and only a 2% decrease in power. They found that vegetable oils are best and found at most local suppliers. Bio-Diesel is registered with the U.S.-EPA. Detroit Diesel performed testing for B20, which is a 20% bio-blend and Cummins/Chevron tested their engines for durability and lubricity with success- no engine failures. ASTMD specifications standard D6751 for B-10 (10%) fuel blending; has high cetane, low sulfur, high lubricity, high-energy balance and 78% life-cycle CO2 reduction. It reduces HC, PM (particulate matter) and CO. Sometimes algae can be a problem if a high turnover in usage is not met. Fuel filters must be maintained on a strict schedule of replacement.

**DIESEL PARTICULATE MATTER TRAPS MAINTENANCE:**

Gene Walker, Maintenance Manager from Golden Gate Transit spoke of their use of PMT's. PMT's or Brick's usually fall into three categories:

Type 1- Retrofit for Cummins ISM (Englehard DPX)
Type 2- Johnson-Mathey reduced Nox
Type 3- Johnsen-Mathey C (21,000 average miles)

Cleaning remains the constant headache and many agencies simply purchase cleaning equipment, rather than send them out with long downtime periods.
Dosing introduces a heat/burn system to turn soot into ash before it gets to the brick. This requires a regular maintenance program utilizing a DPF (diesel particulate filter).

Turbo failures are the biggest threat to equipment equipped with PMT's. When oil and oxygen mix, it acts like a blowtorch igniting/melting your bus! They put their busses equipped with turbos on a 120,000-mile replacement schedule to avoid meltdowns.

**FUEL CELL CHALLENGES:**

Doug Byrne from AC Transit told us they have 650 busses and a $250 million budget. They use Van Hool busses and have a hydrogen station in Oakland. He realizes that their resources are large and most agencies are not financially equipped to handle this early technology. It requires money, education, training and evaluation. There are yet many challenges to overcome before this advanced technology becomes commonplace in our industry.

**BODY AND STRUCTURAL MAINTENANCE AND REPAIR:**

This discussion gave thought to the fact that a bus is a monoque design, which is subject to structural stress yet contains itself as a whole unit. Attention was paid to frame designs and welding techniques. PowerPoint photos of proper structure and stress points were shown along with a presentation outlining the importance of sound frame and body structural design. Maintenance comprises a trained eye to look for stress areas, especially after any impact or collision.

**HYBRIDS IN PARATRANSIT:**

The stop and go dynamics of transit vehicles are ideal for hybrid technology. Fleet Managers are faced with a combination of challenges that will have a major effect on the need for HEV technology:

1. Emissions regulatory issues (current and future)
2. Appropriate performance for the drive cycle
3. Life Cycle cost effectiveness and design obsolescence

**MEETING CALIFORNIA EMISSION CHALLENGES:**

John Drayton, manager of LACMA speaks of LA's upcoming regulations, which will affect all of us in California. In 1975 LA was once the Smog Capital. Since the 1960's, this has drastically changed for the better. LA County Metro is the largest CNG operator in the world. Because of geographical and political conditions, Metro faces challenges to meet 2007/2012 emission regulations.
2007 Particulate Matter drops to 0.01 g.bhp and NOX drops to 0.2 g/bhp.
2010 15% of new vehicle orders must be zero emissions for fleets larger than 200 vehicles.

Possible paths to effect changes in emissions profiles: Include propulsion systems, alternative fuel hybrid electric high capacity vehicles, Fuel Chemistry-HCNG or hydrogen enriched CNG. Fuel Cell, Battery Electric and Electric Trolleys are all new contenders. Battery Power now is a strong front-runner with ranges now in the 150 to 300 miles between charge's. They are constantly looking for new ways to partner and achieve the zero emissions standards of the near future.

**IN-PLANT BUS INSPECTIONS:**

This was a brief session, which outlined the Bus Standards Program. This documentation is required for agencies funded by FTA funds. These inspections may be sub-contracted or done in-house. The benefits are: Compliance, Quality Control, and Familiarity. The struggle is to keep the line moving, cost containment and get the bus out to get paid.

Suggestions are to build a team of inspectors, which "owns that build" for the life of that coach. Have lead and assistant inspectors onsite at Gillig during that build. Prior to inspection do a training effort; create a pre-planned package of what, where and how. It was also stressed to train your inspectors on "how to travel" as many of their mechanic/inspectors were unfamiliar with airports, hotels and even credit card usage.

After this final workshop, we departed to the airport for the return flight to Monterey.  In summary, it was a very good introduction to APTA as well as the "hands on workshops" providing information from the knowledgeable speakers. The workshop was worth the efforts and I would recommend attendance to those Supervisors and managers involved in any Transit Maintenance. Gives a great overall perspective as well as areas to work in and toward.

Thank you,

Roger B. Vandevert
Fleet Maintenance Supervisor

December 1, 2006

To: C. Sedoryk, GM/CEO

From: M. Hernandez, Chief Operating Officer

Subject: APTA – Bus Technical, Maintenance & Procurement Workshop

I attended the Bus Technical, Maintenance & Procurement Workshop in Pittsburgh, PA on November 14-17. The annual conference was informative and timely given some of MST's projects.

**Supplier Management Series – Supplier Development:**

Representatives from LA Metro and Pittsburgh reviewed problems with inventory, suppliers and inventory control. One property had over 750 items in stock for fittings and hoses, valued at over $110,000. The property was using sole source purchasing and failed to do price validation when replenishing stock. Additionally, they were stocking items at various storage locations and warehouses; despite the fact some of the items were slow moving parts.

The property identified problem issues too late and began a competitive procurement process, including using the Internet for price checking. Recommendations included educating new vendors on shipping, packing requirements prior to the 1st shipment. Additionally, set up a site meeting with vendors, review potential purchasing volumes and let vendors view the stockroom. Parts staff should also work to return excess or obsolete inventory.

The representative from LA Metro gave an update on some procurement problems for their rail system. The LA Metro has over 2,600 buses and is the largest "clean" fleet in US, operating over 1,400 square miles, with 9,000 employees. LA Metro had problems with suppliers for their Red Line. The procurement for parts was single source, resulting in high costs, with unreliable deliveries. LA Metro staff acknowledged there were significant roadblocks to changing vendors and procedures, including the culture at the property, (staff was unreceptive to change) and reluctance to use an unknown supplier.

In efforts to find a reliable vendor LA Metro brought in new vendors for meetings, presentations to determine the capability and reliability of the vendor. Suggestions included: verify specifications are current, be ready to address imbedded organizational cultural issues, follow the organizations guidelines, and multiplex activities.

**Bio-Diesel:**

A representative from Bi-State Development Agency, in St. Louis Mo, provided update on St. Louis' experience with bio-diesel. Use of bio-diesel resulted in some of the following findings/experiences:

Bio-diesel is used in various blends (B1 - B100) in Detroit Diesel engines resulted in the replacement of about 20% of fuel filters. Over a 16-month test, with almost 200 vehicles, there was a slight increase in NOx when used in vehicles with greater than a 20% blend, however, there is a reduction in particulate matter (PM), with no significant differences in fuel economy.

St. Louis is soliciting the help of Chevron to check the effects on the oil and Cummins is also running durability tests on oil samples. Fuel-grade bio-diesel must meet industry specifications (ASTM D6751) in order to insure proper performance and the standard BQ9000 certifies specific quality in handling from production to distribution. Blending of bio-diesel is currently taking place at 30 terminals in the US. The speaker indicated that most OEM support B5 blends, however, manufactures will generally reply that compatibility *is the responsibility of the fuel supplier, not the engine manufacturers.* While there have been some successful demonstrations of bio-diesel use, there is still much work to be done with additional testing to take place for new 2007 engine standards.

**Diesel Particulate Traps:**

DART in Dallas, Texas reported their experiences with diesel particulate traps (same traps as at MST). DART operates 80 buses with these traps and has had similar experiences with filter clogging and has also started the retrofit of the older traps with Johnson Matthey units.

DART's efforts to prolong the life of the filters have been to replace cast blade turbos with machined blades. They also installed a Gartech detection system to monitor excessive temperatures. DART replaces turbos at 120,000 miles in effort to reduce turbo failures and damage to the high priced filters. They use three cleaning machines, the Lubrizol Combi cleaning system, for a 4 hour cleaning process on the older filters. The new Johnson Matthey filters require a 13 hour cleaning cycle and require a "shaker table" unit. DART also uses a scale to weigh the units and determine cleanliness and a probe template to check for impacted soot. Oil soaked, damaged filters are not cleaned in house.

**Procurement:**

Many maintenance shops are faced with decisions whether to purchase equipment or manufacture items in-house. When determining whether products should be manufactured or purchased, a property needs to determine technician competency and the financial impact of the decision. There must be sufficient expertise, tools, equipment and trained personnel to take on manufacturing of equipment. Start-up and long-term costs must also be considered and whether a timely/adequate source of products is available. There are also non-price related factors to be considered like quality control, union contract issues, and whether the supply is reliable and of satisfactory quality, and lead-time requirements for product delivery.

Price alone is not determining factor, the performance of the supplier and price history must also be considered. Properties must also consider whether there will be a disruption to regular work activities and if staff will be taken off of other priority jobs.

**Procurement – LA Metro**

John Drayton provided good examples about the decisions and experiences that LA Metro went through in implementing their Orange Line. Some of decisions were dictated by external factors (emissions strategy) and other decisions could not specifically be defined by costs, for example, passenger comfort, vehicle noise and aesthetics.

Some of the decisions/steps LA Metro went through included redesigning the bus away from a typical “shoe box” bus design. LA wanted to operate buses with lower decibel engines and sized the vehicles at 60 feet in length, even though some of their facilities couldn’t accommodate the larger vehicles. LA worked with NABI for a totally new vehicle design, which required a 13-month delivery schedule. This was a remarkable feat given the design of this vehicle was totally new. MST has also evaluated this vehicle for possible future BRT service. LA Metro placed a high emphasis on attracting new riders and the new Orange Line service with these special vehicles resulted in ridership three times higher than expected.

LA Metro was also successful in installing a Transit TV on buses. LA Metro had no budget for the project and required the vendor to pay all implementation costs. LA Metro is currently getting about $100,000 per year, plus 10% of the revenue of the Transit TV, and expects that number to grow to $1million in five years. The Transit TV system has an 85% passenger approval rating.

**Procurement – Obsolete Parts:**

There was an interesting procurement session about excessive supply of obsolete parts in transit shops. Some of the causes for excessive obsolete parts are due to: limited inventory tracking systems, reorder processes are not sensitive to account for anomalies, and reorder points generally based on the previous years usage.

Other factors include ineffective communication practices between staff and supervisors, lack of department planning, abandoned or poorly managed campaigns, ineffective use of maintenance and materials management systems, unclear ownership/responsibilities in parts rooms and lack of stocking policies and procedures. Some properties are generally unwilling to write off expenses given the items are purchased with taxpayer’s dollars. The speaker recommended that with new bus purchases, spare parts be limited to about 70 items.

Some of the approaches to limit excessive stock supplies include: increase/establish accountability for inventory levels, preparing kits for preventative maintenance activities and recognizing that a zero stock on some supplies may be acceptable. Other actions for limiting inventory can include: verifying restocking practices, establish regular cycles for disposal of obsolete inventory, identifying vendor managed inventory partnerships, and reducing purchases for vehicles/equipment with upcoming retirement dates (800s, 1000s, and CARS), verify that vendors will take back new/not needed equipment.

Often materials become obsolete because a property has no program to identify and liquidate slow moving inventory, or staff doesn't know when equipment is being phased out. Besides the cost of the equipment, other impacts include impacts on storage space and the cost of continual inventory counting.

**Maintenance Management Software-Lessons Learned:**

I spoke at a training session outlining MST's "lessons learned" for implementing our new maintenance management software. The session was well attended and I reviewed MST's path towards installing the Maximus system and current status of the project. A PowerPoint handout from my session is attached.

**In-Plant Bus Inspections:**

In-plant bus inspections are required for FTA purchases and can be contracted out or conducted by qualified agency employees. The inspections must be documented and help insure compliance with the vehicle specifications and allow the property to trouble shoot equipment integration issues. When in-house employees conduct inspections, the inspectors are familiar with the product/specifications, which helps improve quality control. The manufacturer benefits by confirming compliance with the specification and parts integration, and having the vehicle signed off during the building process. The manufacture is also able to trouble shoot installation issues on the assembly line, which helps keep the production line moving.

An APTA staff member, who formerly worked with Tri-Met in Oregon, provided examples of employee inspection teams. The selection of inspectors by that agency was based on willingness to work, attendance, willingness to learn, and did not consider seniority. Inspectors "owned that build" for the life of the bus and had pride in their project. Special technical assistants were available for installation of critical components such as electrical systems or the pilot bus. Employees took pictures of current vehicle installations, or drawings and also had contract training on working with the vendors, including their rights and responsibilities

Tri-Met learned several difficult lessons about the need to train employees for this type of special assignment. Some issues that surfaced included proper use of agency funds, spending limits, car rental procedures, use of computers and other expense training linked to traveling.

The APTA Bus Technical, Maintenance & Procurement Workshop was an excellent conference, thank you for the opportunity to attend.

Michael Hernandez