



**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO)
BOARD OF DIRECTORS AGENDA
SPECIAL MEETING
DECEMBER 10, 2021 – 9:00 AM**

**DUE TO COVID-19, THIS MEETING WILL BE CONDUCTED VIA TELECONFERENCE ONLY
(NO PHYSICAL LOCATION) PURSUANT TO ASSEMBLY BILL 361
(GOVERNMENT CODE SECTION 54953)**

MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON

The public may participate remotely via the Zoom website [at this link](#) and following the instructions or by calling 1-669-900-6833 Meeting ID 836 3753 1555

Members of the public are encouraged to participate remotely. Public comments may be submitted via email to boardinquiries@scmttd.com. Please indicate in your email the agenda item to which your comment applies. Comments submitted before the meeting will be provided to the Directors before or during the meeting. Comments submitted after the meeting is called to order will be included in the Board's correspondence that is posted online at the board meeting packet link. Oral public comments will also be accepted during the meeting through Zoom. Should Zoom not be operational, please check online at: www.scmttd.com for any updates or further instruction.

The Board of Directors Meeting Agenda Packet can be found online at www.SCMTD.com.

The Board may take action on each item on the agenda. The action may consist of the recommended action, a related action or no action. Staff recommendations are subject to action and/or change by the Board of Directors.

BOARD ROSTER

Director Jimmy Dutra	City of Watsonville
Director Shebreh Kalantari-Johnson	City of Santa Cruz
Director Manu Koenig	County of Santa Cruz
Director Donna Lind	City of Scotts Valley
Director Bruce McPherson	County of Santa Cruz
Director Donna Meyers	City of Santa Cruz
Director Alta Northcutt	City of Watsonville
Director Larry Pageler	County of Santa Cruz
Director Kristen Petersen	City of Capitola
Director - Vacant	County of Santa Cruz
Director Mike Rotkin	County of Santa Cruz
Ex-Officio Director Dan Henderson	UC Santa Cruz
Ex-Officio Director - Vacant	Cabrillo College
Alex Clifford	METRO CEO/General Manager
Julie Sherman	METRO General Counsel

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

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

SECTION I: OPEN SESSION

NOTE: THE BOARD CHAIR MAY TAKE ITEMS OUT OF ORDER

- 1 CALL TO ORDER**
- 2 ROLL CALL**
- 3 ANNOUNCEMENTS**
 - 3.1** Today's meeting is being broadcast by Community Television of Santa Cruz County.
- 4 BOARD OF DIRECTORS COMMENTS**
- 5 ORAL AND WRITTEN COMMUNICATIONS TO THE BOARD OF DIRECTORS**
- 6 LABOR ORGANIZATION COMMUNICATION**
- 7 METRO ADVISORY COMMITTEE (MAC) WRITTEN COMMUNICATION**
- 8 ADDITIONAL DOCUMENTATION TO SUPPORT EXISTING AGENDA ITEMS**

CONSENT AGENDA

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

- 9.1 ACCEPT AND FILE: MINUTES FROM NOVEMBER 19, 2021 METRO BOARD OF DIRECTORS MEETING**
Alex Clifford, CEO/General Manager
- 9.2 CONSIDERATION OF APPROVAL TO APPLY FOR A BOND RATING FROM A RATING AGENCY REQUIRED FOR THE POTENTIAL SALE OF BONDS TO REFINANCE THE DISTRICT'S UNFUNDED PENSION LIABILITY**
Chuck Farmer, CFO
- 9.3 CONSIDERATION OF RATIFICATION OF CONTRACT WITH KRAUTHAMER & ASSOCIATES LLC FOR CEO/GM RECRUITMENT SERVICES**
Chuck Farmer, CFO

REGULAR AGENDA

SECTION II: CLOSED SESSION

- 10 PUBLIC EMPLOYEE APPOINTMENTS (GOVERNMENT CODE SECTION 54957); CEO/GM POSITION AND INTERIM CEO/GM POSITION**

SECTION III: RECONVENE TO OPEN SESSION

- 11 REPORT OF CLOSED SESSION ITEM**
Julie Sherman, General Counsel

12 ANNOUNCEMENT OF NEXT BOARD OF DIRECTORS MEETING: FRIDAY, JANUARY 28, 2022, AT 9:00 AM, VIA TELECONFERENCE

Donna Lind, Board Chair

13 ADJOURNMENT

Donna Lind, Board Chair

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

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DATE: December 10, 2021
TO: Board of Directors
FROM: Alex Clifford, CEO/General Manager
SUBJECT: ACCEPT AND FILE MINUTES OF THE NOVEMBER 19, 2021 METRO BOARD OF DIRECTORS MEETING

I. RECOMMENDED ACTION

That the Board of Directors Accept and File the Minutes of the November 19, 2021 METRO Board of Directors Meeting

II. SUMMARY

- Staff is providing minutes from the November 19, 2021 Santa Cruz Metropolitan Transit District (METRO) Board of Directors Meeting.
- Each meeting staff will provide minutes from the previous METRO Board and Committee meetings.

III. DISCUSSION/BACKGROUND

The Board requested that staff include, in the Board Packet, minutes from previous METRO Board and Committee meetings. Staff is enclosing the minutes from these meetings.

IV. STRATEGIC PLAN PRIORITIES ALIGNMENT

The actions taken in this report tie to METRO's Stewardship and Accountability responsibility.

V. FINANCIAL CONSIDERATIONS/IMPACT

None.

VI. CHANGES FROM COMMITTEE

N/A

VII. ALTERNATIVES CONSIDERED

None.

VIII. ATTACHMENTS

Attachment A: Draft minutes for the METRO Board of Directors Meeting of November 19, 2021

Prepared by: Donna Bauer, Administrative Specialist

IX. APPROVALS

Alex Clifford, CEO/General Manager

A handwritten signature in blue ink is written over a solid black horizontal line. The signature is stylized and appears to read 'Alex Clifford'.

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Attachment A



SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO) BOARD OF DIRECTORS MEETING MINUTES* NOVEMBER 19, 2021 – 9:00AM MEETING HELD VIA TELECONFERENCE

A regular meeting of the Board of Directors of the Santa Cruz Metropolitan Transit District (METRO) convened on Friday, November 19, 2021, via teleconference.

The Board Meeting Agenda Packet can be found online at www.SCMTD.com. *Minutes are “summary” minutes, not verbatim minutes. Audio recordings Board meeting open sessions are available to the public upon request.

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- 1 CALL TO ORDER** at 9:02 AM by Board Chair Lind.
- 2 ROLL CALL:** The following Directors were **present** via teleconference, representing a quorum:

Director Jimmy Dutra	City of Watsonville
Director Shebreh Kalantari-Johnson	City of Santa Cruz
Director Manu Koenig	County of Santa Cruz
Director Donna Lind	City of Scotts Valley
Director Bruce McPherson	County of Santa Cruz
Director Donna Meyers	City of Santa Cruz
Director Alta Northcutt	City of Watsonville
Director Larry Pageler	County of Santa Cruz
Director Kristen Petersen	City of Capitola
Director - Vacant	County of Santa Cruz
Director Mike Rotkin	County of Santa Cruz
Ex-Officio Director Dan Henderson	UC Santa Cruz
Ex-Officio Director - Vacant	Cabrillo College
Additional METRO staff:	
Alex Clifford	CEO/General Manager
Julie Sherman	General Counsel

- 3 ANNOUNCEMENTS**
Today’s meeting is being broadcast by Community Television of Santa Cruz County.
- 4 BOARD OF DIRECTORS COMMENTS**
Hearing none, Chair Lind moved to the next agenda item.
- 5 ORAL AND WRITTEN COMMUNICATIONS TO THE BOARD OF DIRECTORS**
Brian Peoples, Trail Now, expressed that his organization supports Santa Cruz METRO and encourages METRO to have a selection criterion for the Board members who sit on the Santa

Attachment A

Cruz County Regional Transportation Commission (SCCRTC) to represent METRO's best interests.

David, member of the public, complimented METRO on the creation of the new Route 18. He hopes this frequent, efficient service will bring new riders to METRO.

Hearing nothing further, Chair Lind moved to the next agenda item.

6 LABOR ORGANIZATION COMMUNICATIONS

Jordan Vascones, SEA President, provided the following comments: 1) he likes the topics addressed in the recent strategic plan workshops; 2) he opposes the upcoming vaccine mandate; and 3) he's sad to see Gina Pye's departure and would like to see improvement on employee retention and internal culture. He is excited to work with management and the Board to implement these items.

Brandon Freeman, Bus Operator, had two labor communications from SMART: 1) he reiterated how great it was to join the workshop on Friday, November 12, 2021; and 2) commented on Consent Agenda Item 9.9 that SMART and Operations fully support the move from GMV Syncromatics to Clever Devices.

Hearing nothing further, Chair Lind moved to the next agenda item.

7 METRO ADVISORY COMMITTEE (MAC) WRITTEN COMMUNICATION

Hearing none, Chair Lind moved to the next agenda item.

8 ADDITIONAL DOCUMENTATION TO SUPPORT EXISTING AGENDA ITEMS

The staff report for Consent Agenda Item 9.9 was distributed to the Board of Directors for review on Thursday, November 18, 2021, and will be added to the online agenda.

Hearing nothing further, Chair Lind moved to the next agenda item.

CONSENT AGENDA

- 9.1 ACCEPT AND FILE: PRELIMINARY APPROVED CHECK JOURNAL DETAIL FOR THE MONTH OF OCTOBER 2021
- 9.2 ACCEPT AND FILE: MINUTES OF THE OCTOBER 20, 2021 METRO ADVISORY COMMITTEE (MAC), THE OCTOBER 22, 2021 METRO BOARD OF DIRECTORS MEETING AND THE NOVEMBER 12, 2021 SPECIAL BOARD OF DIRECTORS MEETING
- 9.3 ACCEPT AND FILE: THE YEAR-TO-DATE MONTHLY FINANCIAL REPORT AS OF OCTOBER 31, 2021
- 9.4 APPROVE: RECOMMENDED ACTION ON TORT CLAIMS
- 9.5 ACCEPT AND FILE: METRO PARACRUZ OPERATIONS STATUS REPORT FOR JULY, AUGUST, AND SEPTEMBER 2021
- 9.6 ACCEPT AND FILE: QUARTERLY STATUS REPORT OF GRANT APPLICATIONS, ACTIVE AND PENDING GRANTS FOR THE 1ST QUARTER OF FY22
- 9.7 ACCEPT AND FILE: METRO RIDERSHIP REPORTS FOR THE 1ST QUARTER OF FY22
- 9.8 APPROVE: CONSIDERATION OF AUTHORIZING THE CEO TO EXECUTE A CONTRACT WITH GIRO, INC. FOR HASTUS SOFTWARE MAINTENANCE & SUPPORT
- 9.9 APPROVE: TERMINATION OF CONTRACT WITH GMV SYNCROMATICS & AWARD OF CONTRACT TO CLEVER DEVICES FOR PURCHASE & INSTALLATION OF AN INTELLIGENT TRANSPORTATION SYSTEM

Attachment A

There were no public comments.

ACTION: MOTION TO APPROVE THE CONSENT AGENDA AS PRESENTED

MOTION: DIRECTOR PAGELER

SECOND: DIRECTOR ROTKIN

MOTION PASSED WITH 10 AYES (Directors Dutra, Kalantari-Johnson, Koenig, Lind, McPherson, Meyers, Northcutt, Pageler, Petersen, & Rotkin)

REGULAR AGENDA

10 APPROVE: DEBT MANAGEMENT POLICY AND PENSION FUNDING POLICY

Chuck Farmer, CFO, gave an overview of the Debt Management and Pension Funding Policies and requested the Board's approval so METRO can establish the framework needed to solve its debt issue. The Debt Management Policy provides the Board authority to issue debt and the Pension Funding Policy focuses on METRO's pension obligation to the long-term cost and benefits provided to its members.

There was no public comment.

ACTION: MOTION TO APPROVE THE DEBT MANAGEMENT AND PENSION FUNDING POLICIES AS PRESENTED

MOTION: DIRECTOR ROTKIN

SECOND: DIRECTOR MEYERS

MOTION PASSED WITH 10 AYES (Directors Dutra, Kalantari-Johnson, Koenig, Lind, McPherson, Meyers, Northcutt, Pageler, Petersen, & Rotkin)

11 CONSIDERATION OF A RESOLUTION MAKING CERTAIN FINDINGS AND DIRECTING THAT THE BOARD AND ITS COMMITTEE MEETINGS WILL CONTINUE TO BE HELD VIA TELECONFERENCE

Alex Clifford, CEO, mentioned that METRO must pass this resolution each month or at the next regular Board meeting to continue virtual meetings as long as a state of emergency is in effect.

Julie Sherman, METRO General Counsel, added Governor Newsom did extend the state of emergency through March 31, 2022.

There was no public comment.

ACTION: MOTION TO APPROVE THE RESOLUTION MAKING CERTAIN FINDINGS AND DIRECTING THE BOARD AND ITS COMMITTEE MEETINGS WILL CONTINUE TO BE HELD VIA TELECONFERENCES AS PRESENTED

MOTION: DIRECTOR KALANTARI-JOHNSON

SECOND: DIRECTOR PAGELER

MOTION PASSED WITH 10 AYES (Directors Dutra, Kalantari-Johnson, Koenig, Lind, McPherson, Meyers, Northcutt, Pageler, Petersen, & Rotkin)

12 ACCEPT AND FILE: YEAR TO DATE KEY PERFORMANCE INDICATORS (KPI) REPORT FOR QUARTER ONE AS OF SEPTEMBER 30, 2021

Kristina Mihaylova, Deputy Finance Director, spoke to the presentation with department heads addressing their specific areas of responsibility.

Discussion unfolded on excess capacity in the paratransit system in conjunction with the on-demand service pilot program. John Urgo, Planning and Development Director, said ParaCruz is approaching pre-COVID levels. There is capacity on nights and weekends; we are considering pivoting that pilot program to focus on those areas.

Attachment A

Discussion ensued around passenger incidents on the 4200 Series buses and the steps taken by the Safety/Risk Department to mitigate those incidents. Director Rotkin expressed gratitude for the department taking proactive steps to address these issues.

There was no public comment.

Agenda Items 15 and 16 were heard in advance of Agenda Item 13.

13 CEO ORAL REPORT / COVID-19 UPDATE

CEO Clifford announced there have been no promotions or new hires since the October Board meeting and continued with the following updates:

- Since the October meeting, METRO has had two COVID positive cases.
- METRO has notified all employees that as a condition of working at METRO they must be fully vaccinated by December 31, 2021, or face discipline up to and including termination. We are accepting and reviewing all religious and medical exemption requests.
- Two unvaccinated employees have notified METRO that they have started the process towards full vaccination and have received their first vaccination.
- To help our employees get vaccinated, Human Resources has coordinated several on-site vaccination clinics for employees to receive their first, second or booster vaccination.
- METRO has undergone two federal audits relative to a federal requirement that the Federal Transit Administration (FTA) audit those recipients of COVID relief funds. One audit has been completed and resulted in having only minor recommendations. The second audit is still pending.
- METRO underwent the Transportation Development Act (TDA) Triennial Performance Audit on November 18, 2021 for the period of 2019 – 2021 and awaits those results.
- SCCRTC has a round of discretionary funds for which they are soliciting applications. Staff recommendation is going to the December SCCRTC meeting for one compressed natural-gas, articulated bus in the amount of \$1 million.
- METRO is submitting grant applications for the south county bus division to begin the planning and engineering of this project.
- Urban Futures has been hired as our bond advisor. We are finalizing the contract for our bond counsel, Jones Hall. The bond underwriter is in the process of being solicited and interviews have been scheduled for next week.
- The winter bid is effective December 9, 2021. We are receiving complaints about cancelling the 5:00 AM Hwy. 17 service out of Pacific Station. We are cancelling it due to extremely low ridership. Starting December 9th, the first Hwy. 17 bus will start at 6:00 AM.
- Our Bus Operator hiring bonus has resulted in eight new hires who will start their classes in December 2021.
- We are moving forward with the purchase of additional Proterra buses for Hwy. 17 using the 2016 LoNo Program.
- Danielle Glagola, Marketing, Communications and Customer Service Director, has arranged our first “Stuff the Bus” event with Toys for Tots on December 11, 2021. It will be held from 11:00 AM – 4:00 PM at the Watsonville Target with the Watsonville Fire Department assisting us.
- Danielle Glagola has also completed applying holiday characters to the windows of four fleet buses circulating throughout Santa Cruz County.

Attachment A

- The winter Headways will reflect the new schedules beginning December 9, 2021. This issue will focus on recruitment and hiring.
- METRO has had virtual meetings with Senator Laird and Assemblymember Rivas to bring them up to speed on how we've been managing METRO during the pandemic. The goal is to continue meeting with various state officials on a regular basis.
- CEO Clifford provided an update on the Infrastructure Investment and Jobs Act (IIJA).
- CEO Clifford announced his retirement from METRO with an effective date of January 21, 2022 (letter attached). Board members expressed sadness over CEO Clifford's departure and thanked him for his leadership and service to the agency and community.

There was no public comment.

14 ANNOUNCEMENT OF NEXT MEETING:

Chair Lind announced there will not be a regular Board Meeting in December. The next regular Board Meeting will be on January 28, 2022, and reminded the assembly to check the SCMTD website for venue updates, as we remain dependent upon the public health orders in place at the time.

15 RECESS TO CLOSED SESSION AT 9:39 AM

Julie Sherman, General Counsel, announced there is one item for closed session with the labor negotiator and it will involve all three METRO unions. She did not anticipate any reportable action out of the closed session.

SECTION II: CLOSED SESSION

16 CONFERENCE WITH LABOR NEGOTIATOR PURSUANT TO GOVERNMENT CODE SECTION 54957.6

Agency Designated Representative:	Alex Clifford, CEO/General Manager
Employee Organization:	SEIU, Local 521
	SMART, Local 23 Fixed Route and
	ParaCruz Operation

SECTION III: RECONVENE TO OPEN SESSION AT 10:15 AM

General Counsel Sherman announced there was no reportable action taken in the Closed Session.

There was no public comment.

17 ADJOURNMENT

Chair Lind adjourned the meeting at 10:55 AM.

Respectfully submitted,

Donna Bauer
Administrative Specialist

Attachment A

Dear Board Members

It is with mixed emotions that I announce today my retirement. My last day with METRO will be January 21st.

Shortly thereafter, On January 31st I will assume the position of CEO at San Joaquin RTD.

I want to thank the METRO Board for providing me the opportunity to lead this agency for the past seven and a half+ years.

I'm proud to say that during my tenure with METRO, the Agency has accomplished much. When I say the Agency or we, I am referring to the Board, the leadership team and the employees. Those accomplishments include:

- Resolving a \$6.3 million structural deficit with no layoffs
- We completed the problem-ridden Judy K Souza Operations building
- Rehabilitated the Watsonville Transit Center
- Opened a customer service window at the Watsonville Transit Center
- Started the agency's first zero emission bus service on a new circulator route in Watsonville
- Completed a new mural and rehabilitated the original mural at the Watsonville Transit Center
- Upgraded lighting at the Watsonville Transit Center
- We installed numerous bus shelters in Watsonville
- We have initiated the phase I planning for a zero emission south county bus division
- We won numerous state and federal capital grants that were mostly used to replace aging buses
- We have made significant progress towards a data warehouse
- All tenant spaces have been leased
- We launched new METRO branding and much more professional looking Headways and informational brochures
- We kept our employees safe by keeping our workplace injuries and traffic collisions low
- Added or improved surveillance capabilities on buses and METRO facilities

Attachment A

- Kept the agency fiscally solvent and always had clean audits
- Created a bus replacement plan and reduced the backlog of buses we are operating beyond their useful life from 62 to just over 38 today
- Added four zero emission electric buses to the fleet and three more will soon be on order
- Created a plan to transition to 100% zero emission buses
- Created the agency's first strategic plan and strategic priorities
- Created a 10-year state of Good Repair unfunded capital priority list
- Created a Board adopted Reserves Plan and fully funded the buckets
- Completed the agency's first Transit Asset Management Plan
- Created a Safety Department
- Created a Marketing & Communications Department
- Outsourced our legal services
- Successfully achieved a commitment from the RTC to provide METRO 16% of Measure D revenues
- We are working towards a 2022 federal LoNo grant for a pilot fuel cell bus project
- Achieved shovel ready status and we have submitted our grant application for federal grant funding to build the new ParaCruz facility and we hope to hear of an award by March 2022.
- Our facilities across the METRO system are in far better condition than they ever have been because of an aggressive state of good repair program and a philosophy of attention to detail. This includes new roofs, exterior paint and new landscaping at the Watsonville Transit Center, Scotts Valley Transit Center and Vernon Admin offices.
- I have represented this agency on CTA, CTAA, CalAct, The Bus Coalition, ZEBRA and APTA, mostly in a leadership role
- We grew our partnerships with the students at UCSC and Cabrillo college
- We completed a major Comprehensive Operational Analysis
- We initiated the development of a bus on shoulder program
- We initiated the process towards resolving the UAL unfunded liability
- We initiated the process towards a new ERP
- We re-established Board sub-committees
- We completed the Class & Comp study and implementation

Attachment A

- For the first time in seven years I now have a dream team leadership team in place. I will very much miss working with them. Their experience, expertise and intelligence will provide stability during this time of transition.
- Then, the pandemic hit in March 2020, compound by the CZU fires
- There is no playbook for such a thing
- We worked hard to keep out employees safe...and we did
- I made an early commitment that I would do my best to avoid layoffs and furloughs...and we were successful
- We implemented creative work schedules that would reduce employee exposure to the virus
- Finally, in solidarity with our frontline employees who had to come to work every day, I too came to work every day since March 2020. The only exception being an occasional time off.

In closing, I would like to suggest that the Board Chair establish an Ad Hoc CEO recruitment Committee. If the Board and Committee wishes, I will be happy to help the Committee identify a CEO recruiter who can assist in a nationwide recruitment and I will be happy to help you get well underway towards replacing me by the time I leave in mid-January. I want to assure you that I will diligently perform my duties on my last day as I did on my first day.

Thank you again for the opportunity to lead this agency for over seven years.

Respectfully,
Alex Clifford, CEO



DATE: December 10, 2021

TO: Board of Directors

FROM: Chuck Farmer, CFO

SUBJECT: CONSIDERATION OF APPROVAL TO APPLY FOR A BOND RATING FROM A RATING AGENCY REQUIRED FOR THE POTENTIAL SALE OF BONDS TO REFINANCE THE DISTRICT'S UNFUNDED PENSION LIABILITY

I. RECOMMENDED ACTION

That the Board of Directors approve the CFO to apply for a Bond Rating with one or two Nationally Recognized Rating Agencies to review and rate the District's credit in the amount of not to exceed \$120,000

- The Santa Cruz Metropolitan Transit District (METRO)'s current outstanding pension balance, as of June 30, 2020, is approximately \$68 million.
- METRO's unfunded accrued liability (UAL) is currently accruing interest at a Discount Rate of 7.0%.
- CalPERS recently announced an investment return of 21.3% and subsequent lowering of the Discount Rate to 6.8%, which will result in a net credit, lowering the UAL to approximately \$51.4 million.
- To issue bonds in the capital markets, METRO will need to obtain a bond rating from one or two bond ratings from a Nationally Recognized Rating Agency (i.e., Standard & Poor's, Moody's or Fitch).
- Current market interest rate for Pension Obligation Bonds (POBs) is approximately 3.0%.
- By issuing a POB, METRO is expected to save over \$18.5 million in interest payments over the next 15 to 20 years.
- Staff is recommending that the Board approve the CFO to apply for no more than two (2) bond ratings.

II. DISCUSSION/BACKGROUND

METRO's pension liability is currently projected to be \$198 million by the CalPERS actuaries. METRO's current funding status is approximately 74%, resulting in an unfunded accrued liability (UAL) of \$51.4 million. The UAL is subject to a 6.8% interest charge from CalPERS.

CalPERS recently announced an investment return of 21.3%, but also lowered the Discount Rate or interest charge from 7.0% to 6.8%. METRO is expected to receive a net “credit” of \$16.2 million as a result of these changes, which will lower the projected UAL to \$51.4 million. These figures are projected, the actual amount of the UAL will not be known until the next actuarial report is released in August 2022

The interest payments on the \$51.4 million will result in \$32 million in interest payments over the next 22 years.

METRO has reviewed this outstanding pension liability and examined various funding alternatives to reduce its pension liability. METRO has determined that the issuance of Pension Obligation Bonds (POBs) presents the most viable option to realize significant interest cost savings.

In order to issue a POB, METRO must obtain a bond rating by at least one of the Nationally Recognized Credit Ratings Agencies (i.e., Standard & Poor’s, Moody’s or Fitch). A bond rating is required by the majority of institutional investors (e.g., mutual funds, insurance companies, banks, corporations, etc.) in order to buy METRO’s bonds.

The proposed POB issue will be the first marketable security sold by METRO since 1993.

METRO has conducted a competitive RFP for, and hired, the three key members of the financing team: Urban Futures, Inc. as Municipal Advisor, Jones Hall as Bond Counsel, and Ramirez as the Bond Underwriter. The financing team will assist METRO in assembling all the legal and financial information needed to apply for a Credit Rating.

METRO will be required to obtain at least one rating; however, the decision of which rating agency and whether to apply for one or two ratings has not yet been determined. This decision will be made in conjunction with the members of the financing team, which will be based on which agency provides METRO with the best possible pricing on the bonds.

Once METRO receives one or more credit rating(s), METRO will be able to sell a bond to refinance its UAL at a lower rate in the capital markets. Staff will return to the Board for authority to sell the bonds in January of 2022, at which point the final details regarding the bonds’ structure (i.e., amount, term, ratings, and interest rate) will be known.

III. STRATEGIC PLAN PRIORITIES ALIGNMENT

The proposed action aligns with the following Strategic Priorities:

- Financial Stability, Stewardship & Accountability

IV. FINANCIAL CONSIDERATIONS/IMPACT

Savings will be determined after METRO goes through the ratings process and receives a credit score. Payment will be made using the operating account Professional Technical Fees (503031). Based on the current outstanding balance, METRO will save over \$18.5 million in interest payments over the life of the outstanding balance.

V. CHANGES FROM COMMITTEE

None.

VI. ALTERNATIVES CONSIDERED

The two alternatives are:

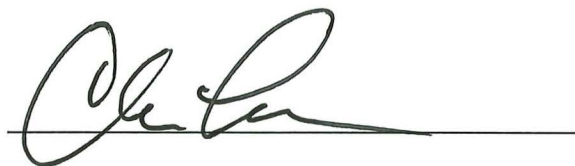
1. Continue as is and pay more than \$32 million in interest on the UAL, which does not benefit retirees or taxpayers
2. Review and issue a Pension Obligation POB that will:
 - a. Reduce interest payments by roughly \$18.5 million
 - b. Creates a lower fixed payment stream to pay down the outstanding pension liability

VII. ATTACHMENTS

None

VIII. APPROVALS

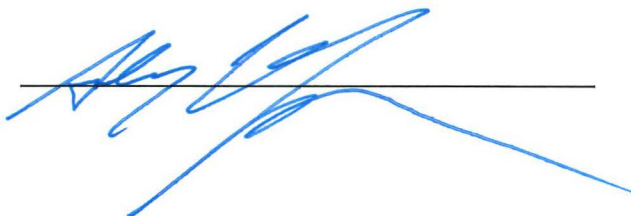
Chuck Farmer, CFO



Approved as to fiscal impact:
Chuck Farmer, CFO



Alex Clifford, CEO/General Manager





DATE: December 10, 2021

TO: Board of Directors

FROM: Chuck Farmer, CFO

**SUBJECT: CONSIDERATION OF RATIFICATION OF CONTRACT WITH
KRAUTHAMER & ASSOCIATES LLC FOR CEO/GM RECRUITMENT
SERVICES**

I. RECOMMENDED ACTION

That the Board of Directors ratify the execution of a contract with Krauthamer & Associates LLC for CEO/GM Recruitment Services in an amount not to exceed \$100,000

II. SUMMARY

- The Santa Cruz Metropolitan Transit District (METRO)'s CEO/General Manager announced his retirement at METRO's November 19, 2021 Board meeting, effective January 22, 2022.
- An Advisory Committee solicited and evaluated proposals from qualified executive recruitment firms, and recommended an award to Krauthamer & Associates LLC.
- Due to the need to begin the CEO/GM recruitment process as soon as possible, the Advisory Committee determined it was in METRO's best interest to execute the contract with Krauthamer & Associates LLC immediately.
- The Advisory Committee is recommending that the Board now ratify the execution of the contract with Krauthamer & Associates LLC.

III. DISCUSSION/BACKGROUND

METRO's CEO/General Manager, Alex Clifford, announced his retirement at METRO's November 19, 2021 Board meeting, effective January 22, 2022.

The Board Chair quickly created an Advisory CEO Recruitment Committee (Committee) composed of three Board members. The Committee met, solicited proposals from qualified executive recruitment firms for review, and then met again following evaluation of the proposals received. The Committee concluded that Krauthamer & Associates LLC was the highest ranked firm whose proposal represented the best value to Metro, with costs that are fair and reasonable.

The typical timeframe needed to complete a CEO/GM recruitment for an agency such as METRO is six months. As there are only two months between now and Mr. Clifford's retirement date, there is a need to begin the CEO/GM recruitment

process as soon as possible. Therefore, the Advisory Committee determined it was in METRO's best interest to execute the contract with Krauthamer & Associates immediately, and to call a special meeting of the Board to ratify the contract. The Advisory Committee is recommending that the Board now ratify the execution of the contract with Krauthamer & Associates LLC for CEO/GM Recruitment Services. Krauthamer & Associates LLC will provide all services meeting all METRO's specifications and requirements of the contract. Chuck Farmer, CFO, will serve as the Contract Administrator and will ensure contract compliance.

IV. STRATEGIC PLAN PRIORITIES ALIGNMENT

The ratification of this contract aligns with the following Strategic Priorities:

- Financial Stability, Stewardship & Accountability
- Service Quality and Delivery
- Employee Engagement: Attract, Retain and Develop
- Strategic Alliances and Community Outreach

V. FINANCIAL CONSIDERATIONS/IMPACT

Krauthamer & Associates LLC's standard fee is based on 33-1/3% of the first-year base salary of the selected candidate. They will submit three invoices of one-third of the total fee each, with any adjustments calculated into the final billing at the conclusion of the search. The total value of the contract is anticipated to be no more than \$100,000. Funds to support this contract are included in the current fiscal year's Administration Operating budget, within the Professional Technical Fees (503031) account.

VI. CHANGES FROM COMMITTEE

None.

VII. ALTERNATIVES CONSIDERED

None.

VIII. ATTACHMENTS

Attachment A: Professional Services Agreement for Executive Recruiting Services

Note: Exhibits A and B are available on request.

Prepared by: Joan Jeffries, Purchasing Agent

IX. APPROVALS

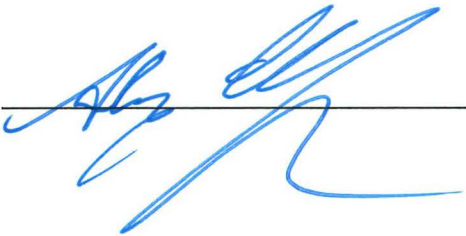
Chuck Farmer, CFO



Approved as to fiscal impact:
Chuck Farmer, CFO



Alex Clifford, CEO/General Manager



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Attachment A

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PROFESSIONAL SERVICES AGREEMENT FOR EXECUTIVE RECRUITING SERVICES

This Agreement is made effective on December 1, 2021 between the Santa Cruz Metropolitan Transit District (METRO), a political subdivision of the State of California, and Krauthamer & Associates LLC (CONTRACTOR).

THE PARTIES AGREE AS FOLLOWS:

1. SCOPE OF SERVICES

This is an Agreement to provide executive recruitment services for the position of CEO/GM. The CONTRACTOR agrees to provide these services to METRO in accordance with the terms and conditions of this Agreement. In the performance of its work, the CONTRACTOR represents that it (1) has and will exercise the degree of care, skill, efficiency, and judgment of contractors with special expertise in providing executive recruitment services; (2) carries all applicable licenses, certificates, and registrations in current and good standing that may be required to perform the work; and (3) will retain all such licenses, certificates, and registrations in active status throughout the duration of this engagement.

The scope of the CONTRACTOR's services shall consist of the services set forth in the CONTRACTOR's written proposal dated November 22, 2021, attached hereto and incorporated herein as Exhibit A.

2. AGREEMENT DOCUMENTS

This Agreement consists of the following documents:

- (1) This Agreement.
- (2) Exhibit A, CONTRACTOR's Proposal.
- (3) Exhibit B, CEO/GM Position Description

In the event of conflict between or among the terms of the Agreement documents, the order of precedence shall be the order of documents listed above, with the first-listed document having the highest precedence and the last-listed document having the lowest precedence.

3. TERM OF AGREEMENT

The term of this Agreement will be for a one year term commencing upon the date this Agreement is fully executed. The CONTRACTOR shall furnish METRO with all the materials, equipment and services called for under this Agreement, and perform all other work, if any, described in the Contract Specifications.

METRO reserves the right, in its sole discretion, to extend the Agreement. It is understood that the term of the Agreement, and any extension thereto are subject to METRO's right to terminate the Agreement in accordance with Section 15 of this Agreement.

4. CONTRACTOR'S REPRESENTATIVE

It is understood and agreed by the parties that at all times during the term of this Agreement, Gregg A. Moser shall serve as the primary staff person of CONTRACTOR to undertake, render, and oversee all of the services under this Agreement.

5. COMPENSATION

The CONTRACTOR agrees to perform all of the services included in Section 1 in

Attachment A

accordance with the pay schedule set forth in Exhibit A, Section 6, with the understanding that the second and third payments of the fee schedule will require METRO Board approval.

6. MANNER OF PAYMENT

The CONTRACTOR shall submit invoices/billing statements detailing the services performed during the billing period. Each invoice/billing statement must provide a description of the work performed during the invoice period, the contract number, and METRO Project Manager's name. METRO will endeavor to pay approved invoices/billing statements within 30 calendar days of their receipt. METRO reserves the right to withhold payment to the CONTRACTOR if METRO determines that the quantity or quality of the work performed is unacceptable. METRO shall provide written notice to the CONTRACTOR within 10 business days of METRO's decision not to pay and the reasons for non-payment.

One copy of each invoice should be submitted in either hard copy (paper) format via mail or soft copy format (PDF) via email as follows:

a) Hard copy (paper) invoices must be sent to the attention of:

**Santa Cruz Metropolitan Transit District
110 Vernon Street
Santa Cruz, CA 95060
Attn: Chuck Farmer, CFO**

b) Soft copy invoices must be sent to apinvoices@scmttd.com.

7. NOTICES

All communications relating to the day-to-day activities of the provided services shall be exchanged between METRO's CFO or designee, and the CONTRACTOR's representative, Gregg A. Moser.

All other notices and communications deemed by either party to be necessary or desirable to be given to the other party shall be in writing and may be given by personal delivery to a representative of the parties or by mailing the same postage prepaid, addressed as follows:

If to METRO: Santa Cruz Metropolitan Transit District
Attn: CFO
110 Vernon Street
Santa Cruz, CA 95060

If to the CONTRACTOR: Krauthamer & Associates LLC
Attn: Gregg A. Moser
7101 Wisconsin Avenue, Suite 1210
Bethesda, MD 20814

The address to which mailings may be made may be changed from time to time by notice mailed as described above. Any notice given by mail shall be deemed given on the day after that on which it is deposited in the United States Mail as provided above.

8. OWNERSHIP OF WORK

All reports, designs, drawings, plans, specifications, schedules, and other materials prepared, or in the process of being prepared for the services to be performed by CONTRACTOR shall be and are the property of METRO. METRO shall be entitled to copies and access to these materials during the progress of the work. Any such materials remaining in the hands of the CONTRACTOR or in

the hands of any subcontractor upon completion or termination of the work shall be immediately delivered to METRO. If any materials are lost, damaged, or destroyed before final delivery to METRO, the CONTRACTOR shall replace them at its own expense and the CONTRACTOR assumes all risks of loss, damage, or destruction of or to such materials. The CONTRACTOR may retain a copy of all material produced under this Agreement for its use in its general business activities.

Any and all rights, title, and interest (including without limitation copyright and any other intellectual-property or proprietary right) to materials prepared under this Agreement are hereby assigned to METRO. The CONTRACTOR agrees to execute any additional documents which may be necessary to evidence such assignment.

9. CONFIDENTIALITY

Any METRO materials to which the CONTRACTOR has access or materials prepared by the CONTRACTOR during the course of this Agreement ("confidential information") shall be held in confidence by the CONTRACTOR, who shall exercise all reasonable precautions to prevent the disclosure of confidential information to anyone except the officers, employees and agents of the CONTRACTOR as necessary to accomplish the rendition of services set forth in Section 1 of this Agreement. The CONTRACTOR, its employees, subcontractors, subconsultants and agents, shall not release any reports, information, or other materials prepared in connection with this Agreement, whether deemed confidential or not, without the approval of METRO's CFO or designee.

10. USE OF SUBCONTRACTORS

The CONTRACTOR shall not subcontract any services to be performed by it under this Agreement without the prior written approval of METRO, except for service firms engaged in drawing, reprographics, typing, and printing. The CONTRACTOR shall be solely responsible for reimbursing any subcontractors and METRO shall have no obligation to them.

11. CHANGES

METRO may at any time, by written order, make changes within the scope of work and services described in this Agreement. If such changes cause an increase or decrease in the budgeted cost of or the time required for performance of the agreed upon work, an equitable adjustment as mutually agreed shall be made in the limit on compensation as set forth in Section 5 or in the time of required performance as set forth in Section 3, or both. The pertinent changes shall be expressed in a written supplement to this Agreement issued by the Procurement Department prior to implementation of such changes.

12. RESPONSIBILITY: INDEMNIFICATION

The CONTRACTOR shall indemnify, keep and save harmless METRO and directors, officers, agents and employees against any and all suits, claims or actions arising out of any of the following:

- A. Any injury to persons or property that may occur, or that may be alleged to have occurred, arising from the performance of this Agreement by the CONTRACTOR caused by a negligent act or omission or willful misconduct of the CONTRACTOR or its employees, subcontractors, subconsultants or agents; or
- B. Any allegation that materials or services provided by the CONTRACTOR under this Agreement infringe or violate any copyright, trademark, patent, trade secret, or any other intellectual-property or proprietary right of any third party.

The CONTRACTOR further agrees to defend any and all such actions, suits or claims and pay all charges of attorneys and all other costs and expenses of defense as they are incurred. If any

judgment is rendered against METRO or any of the other individuals enumerated above in any such action, the CONTRACTOR shall, at its expense, satisfy and discharge the same. This indemnification shall survive termination or expiration of the Agreement.

13. INSURANCE

The insurance requirements specified in this Section shall cover CONTRACTOR's own liability and any liability arising out of work or services performed under this Agreement by any subcontractors, subconsultants, suppliers, temporary workers, independent contractors, leased employees, or any other persons, firms or corporations (hereinafter collectively referred to as "Agents") that CONTRACTOR authorizes to work under this Agreement. CONTRACTOR is required to procure and maintain at its sole cost and expense the insurance coverages subject to all of the requirements set forth below. Such insurance shall remain in full force and effect throughout the term of this Agreement. CONTRACTOR is also required to assess the risks associated with work to be performed by Agents under subcontract and to include in every subcontract the requirement that the Agent maintain adequate insurance coverages with appropriate limits and endorsements to cover such risks; the limit for the Commercial General Liability insurance in each subcontract shall not be less than \$1 million. To the extent that any Agent does not procure and maintain such insurance coverage, CONTRACTOR shall be responsible for said coverage and assume any and all costs and expenses that may be incurred in securing said coverage or in fulfilling CONTRACTOR's indemnity obligation as to itself or any of its Agents in the absence of coverage. In the event Contractor or its Agents procure excess or umbrella coverage to maintain certain requirements outlined below, these policies shall also satisfy all specified endorsements and stipulations, including provisions that the CONTRACTOR's insurance be primary without any right of contribution from METRO. Prior to beginning work under this Agreement, CONTRACTOR shall provide METRO with satisfactory evidence of compliance with the insurance requirements of this Section.

A. MINIMUM TYPES AND SCOPE OF INSURANCE

1. Workers' Compensation and Employer's Liability Insurance.

- a. Workers' Compensation with Statutory Limits, as required by Section 3700 et seq. of the California Labor Code, or any subsequent amendments or successor acts thereto, governing the liability of employers to their employees.
- b. Employer's Liability coverage with minimum limits of \$1 million.
- c. Such insurance shall include the following endorsement as further detailed in the Endorsements Section below:
 - Waiver of Subrogation in favor of Santa Cruz Metropolitan Transit District.

2. Commercial General Liability Insurance.

Commercial General Liability insurance for bodily injury and property damage coverage of at least \$1 million per occurrence or claim and a general aggregate limit of at least \$1 million. Such insurance shall cover all of CONTRACTOR's operations both at and away from the project site.

3. Business Automobile Liability Insurance.

Business Automobile Liability insurance providing bodily injury and property damage coverage with a combined single limit of at least \$1 million per accident or loss. This insurance shall include coverage for, but not be limited to, all owned vehicles; non-owned vehicles and rental vehicles. Such insurance shall include the following endorsements:

Attachment A

- Additional Insured - Santa Cruz Metropolitan Transit District.
- Primary and Non-Contributory wording.
- Waiver of Subrogation in favor of Santa Cruz Metropolitan Transit District.

4. Property Insurance.

Property insurance with Special Form coverage including theft, but excluding earthquake, with limits at least equal to the replacement cost of CONTRACTOR's own business personal property and equipment to be used in performance of this Agreement, and materials or property to be purchased and/or installed on behalf of METRO, if any. Such insurance shall include the following endorsement:

- Waiver of Subrogation.

B. GENERAL PROVISIONS

1. Notice of Cancellation.

CONTRACTOR must provide at least 30 days' prior written notice to METRO's Purchasing Department if any of the above policies are non-renewed or cancelled.

2. Acceptable Insurers.

All policies will be issued by insurers acceptable to METRO (generally with a Best's Rating of A- 10 or better).

3. Self-insurance.

Upon evidence of financial capacity satisfactory to METRO and CONTRACTOR's agreement to waive subrogation against METRO respecting any and all claims that may arise, CONTRACTOR's obligation hereunder may be satisfied in whole or in part by adequately funded self-insurance.

14. CONTRACTOR'S STATUS

Neither the CONTRACTOR nor any party contracting with the CONTRACTOR shall be deemed to be an agent or employee of METRO. The CONTRACTOR is and shall be an independent CONTRACTOR and the legal relationship of any person performing services for the CONTRACTOR shall be one solely between that person and the CONTRACTOR.

15. TERMINATION

METRO shall have the right to terminate this Agreement at any time for cause or convenience by giving written notice to the CONTRACTOR. Upon receipt of such notice, the CONTRACTOR shall not commit itself to any further expenditure of time or resources.

If the Agreement is terminated for any reason other than a breach or default by CONTRACTOR, METRO shall pay to the CONTRACTOR in accordance with the provisions of Sections 5 and 6 of this Agreement all sums actually due and owing from METRO for all services performed and all expenses incurred up to the day written notice of termination is given, plus any costs reasonably and necessarily incurred by CONTRACTOR to effect such suspension or termination. If the Agreement is terminated for breach or default, METRO shall remit final payment to CONTRACTOR in an amount to cover only those services performed and expenses incurred in full accordance with the terms and conditions of this Agreement up to the effective date of termination.

Attachment A

METRO shall not in any manner be liable for the CONTRACTOR's actual or projected lost profits had the CONTRACTOR completed the services required by this Agreement.

16. MAINTENANCE, AUDIT AND INSPECTION OF RECORDS

All CONTRACTOR and subcontractor/subconsultant costs incurred in the performance of this Agreement will be subject to audit. The CONTRACTOR and its subcontractors/subconsultants shall permit METRO, or its authorized representatives, to inspect, examine, make excerpts from, transcribe, and copy the CONTRACTOR's books, work, documents, papers, materials, payrolls records, accounts, and any and all data relevant to the Agreement at any reasonable time, and to audit and verify statements, invoices or bills submitted by the CONTRACTOR pursuant to this Agreement. The CONTRACTOR shall also provide such assistance as may be required in the course of such audit. The CONTRACTOR shall retain these records and make them available for inspection hereunder for a period of four (4) years after expiration or termination of the Agreement.

If, as a result of the audit, it is determined by METRO's auditor or staff that reimbursement of any costs including profit or fee under this Agreement was in excess of that represented and relied upon during price negotiations or represented as a basis for payment, the CONTRACTOR agrees to reimburse METRO for those costs within sixty (60) days of written notification by METRO.

17. NON-DISCRIMINATION ASSURANCE - TITLE VI OF THE CIVIL RIGHTS ACT

The CONTRACTOR shall not discriminate on the basis of race, color, creed, national origin, sex, or age in the performance of this Agreement. The CONTRACTOR shall carry out applicable requirements of 49 CFR Part 26 in the award and administration of U.S. DOT-assisted contracts. Further, the CONTRACTOR agrees to comply with all provisions prohibiting discrimination on the basis of race, color, or national origin of Title VI of the Civil Rights Act of 1964, as amended, 42 U.S.C. §§ 2000d *et seq.*, and with U.S. DOT regulations, "Nondiscrimination in Federally-Assisted Programs of the Department of Transportation – Effectuation of Title VI of the Civil Rights Act," 49 C.F.R. Part 21. The CONTRACTOR shall obtain the same assurances from its joint venture partners, subcontractors, and subconsultants by including this assurance in all subcontracts entered into under this Agreement. Failure by the CONTRACTOR to carry out these requirements is a material breach of this Agreement, which may result in the termination of this Agreement or such other remedy as the METRO deems appropriate.

18. EQUAL EMPLOYMENT OPPORTUNITY (EEO)

In connection with the performance of this Agreement the Contractor shall not discriminate against any employee or applicant for employment because of race, color, religion, national origin, ancestry, sex, gender, sexual orientation, age (over 40), marital status, pregnancy, medical condition, gender identity, or disability as specified in federal, State, and local laws. The CONTRACTOR shall take affirmative actions to ensure that applicants are employed, and that employees are treated during their employment, without regard to their race, religion, color, sex, disability, or national origin. Such actions shall include, but not be limited to, the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. CONTRACTOR further agrees to insert a similar provision in all subcontracts, except subcontracts for standard commercial supplies or raw materials.

19. MISCELLANEOUS

- A. **No Assignment.** Contractor shall not assign any of the rights nor transfer any of its obligations under the Agreement without the prior written consent of METRO.

Attachment A


- B. Attorney's Fees. If any legal proceeding should be instituted by either of the parties to enforce the terms of this Agreement or to determine the rights of the parties under this Agreement, the prevailing party in said proceeding shall recover, in addition to all court costs, reasonable legal fees.
- C. Dispute Resolution. METRO and Contractor agree to attempt in good faith to resolve all disputes informally. If agreed to by both parties, alternate methods of dispute resolution, such as mediation, may be utilized. Unless otherwise directed by METRO, the Contractor shall continue performance under this Contract while matters in dispute are being resolved.
- D. Applicable Law. This Agreement, its interpretation and all work performed thereunder, shall be governed by the laws of the State of California.
- E. Binding on Successors. All of the terms, provisions and conditions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives.
- F. Waiver. Any waiver of any breach or covenant of this Agreement must be in a writing executed by a duly authorized representative of the party waiving the breach. A waiver by any of the parties of a breach or covenant of this Agreement shall not be construed to be a waiver of any succeeding breach or any other covenant unless specifically and explicitly stated in such waiver.
- G. Severability. Should any provision herein be found or deemed to be invalid or unenforceable, this Agreement shall be construed as not containing such provision, and all other provisions which are otherwise lawful shall remain in full force and effect.
- H. No Third Party Beneficiaries. This Agreement is not for the benefit of any person or entity other than the parties.
- I. Entire Agreement; Modification. This Agreement, including any attachments, constitutes the entire Agreement between the parties with respect to the subject matter hereof and may not be amended except by a written amendment executed by authorized representatives of both parties. In the event of a conflict between the terms and conditions of this Agreement and the attachments, the terms of this Agreement will prevail.

SIGNATURES ON NEXT PAGE


Attachment A

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers as of the Effective Date.

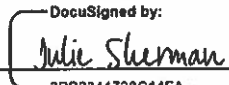
SANTA CRUZ METROPOLITAN TRANSIT DISTRICT:

Signature: 
Print: Alex Clifford
Title: CEO/General Manager
Date: 11/30/21

KRAUTHAMER & ASSOCIATES LLC

Signature: 
Print: Greg Maer
Title: Principal
Date: 12/1/21

Approved as to Form:

Signature: 
Print: Julie Sherman
Title: General Counsel