



**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO)
FINANCE, BUDGET AND AUDIT STANDING COMMITTEE MEETING
MINUTES
MARCH 3, 2017 – 8:00 AM
METRO ADMIN OFFICES
110 VERNON STREET
SANTA CRUZ, CA 95060**

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COMMITTEE ROSTER

Director John Leopold	County of Santa Cruz
Director Donna Lind	City of Scotts Valley
Director Cynthia Mathews	City of Santa Cruz
Director Oscar Rios	City of Watsonville
Alex Clifford	METRO CEO/General Manager
Julie Sherman	METRO General Counsel

MEETING TIME: 8:00AM

NOTE: THE COMMITTEE CHAIR MAY TAKE ITEMS OUT OF ORDER

- 1 CALL TO ORDER**
Meeting was called to order at 8:01AM by Director Leopold.
- 2 ROLL CALL:** The following Directors were **present**, representing quorum:

Director Cynthia Mathews	City of Santa Cruz
Director Donna Lind	City of Scotts Valley
Director John Leopold	County of Santa Cruz

Director Rios was not present.

METRO EMPLOYEES AND MEMBERS OF THE PUBLIC WHO VOLUNTARILY INDICATED THEY WERE PRESENT (IN ALPHABETICAL ORDER) WERE:

Debbie Kinslow, SCMTD

3 ELECT COMMITTEE CHAIR

Director Leopold was elected as Committee Chair

MOTION: ELECT DIRECTOR LEOPOLD AS COMMITTEE CHAIR.

MOTION: DIRECTOR MATHEWS SECOND: DIRECTOR LIND

MOTION CARRIED UNANIMOUSLY.

4 COMMUNICATIONS TO THE FINANCE, BUDGET & AUDIT STANDING COMMITTEE

Having none, Committee Chair Leopold moved to the next agenda item.

5 ADDITIONS OR DELETIONS FROM AGENDA / ADDITIONAL DOCUMENTATION TO SUPPORT EXISTING AGENDA ITEMS

Mr. Eduardo Montesino, representing the bus and Paratransit operators, asked if there is any supporting documentation.

Committee Chair Leopold responded standards will be established today, as this is the first meeting for this particular committee.

CEO Clifford added this committee is part of a new process, addressing the budget earlier than in the past. The team has worked hard all week to provide the working documents being provided today; extra copies are available at the back of the room. METRO has a standing policy that materials are not distributed to the public prior to being provided to the board members.

For the benefit of the new board members, Committee Chair Leopold provided the background of the committee, noting the intent is to conduct a deeper dive into the budget to have a stronger understanding before presentation to the full board. Two other standing committees were developed at the same time: Personnel/HR and Capital Projects.

6 DISCUSSION AND REVIEW OF UPCOMING BUDGET PROCESS:

A. Assumptions for FY18 & FY19 Operating Budget

B. Assumptions for FY18 Capital Budget

C. Assumptions for the FIVE-YEAR Operating PLAN Summary

D. Discussion of Measure D assumptions and uses

Ms. Angela Aitken, Finance Manager, distributed page 1 (entitled, "DRAFT 03-03-17, Santa Cruz Metropolitan Transit District) and explained the data presented represented the budget as it stands today (3/3/17) and the new process. This is the March budget to be brought forward for TDA purposes only.

Director Mathews expressed her appreciation for the forward looking view and suggested adding "5 Year Projection" to the title. She also suggested adding graphics.

Ms. Aitken replied that she would include the 5 year budget, staff report and presentation with graphics in the future.

Passenger revenue: The Committee discussed the impact that lower fuel prices, Uber and Lyft have had on the downward trends in passenger revenue locally and nationally.

1979 Gross Sales Tax (1/2 cent): Ms. Aitken explained the process METRO undertakes to reach the 2.5% projection.

TDA 2.5% is projected. This projection may be adjusted after we receive new information from RTC after its 3/9/17 budget meeting. This allocation is governed by State law, as METRO is the significant transportation agency within Santa Cruz County.

Federal Op Assistance: METRO applies annually for these funds, which means they are subject to change. CEO Clifford added that the 5307 Federal assistance program is a bit more secure through 2021, due to the implementation of the FastACT with 2% growth year over year; however, as it is a formula based program, it too is subject to change at any time.

STA (Operating and Capital funds): Two years ago, the Board approved METRO reallocating STA funds back into the Capital Budget to provide for Capital improvements over a five-year period of time. In FY18 we will move 2/5 of the STA Capital funds to the Capital budget.

STIC: In 2022, 100% of these funds will be allocated to the capital budget. Assistant Finance Manager, Debbie Kinslow added that these funds are performance based, similar to the 5307 program and there are 12 qualifying factors; e.g., ridership, revenue, etc. CEO Clifford added that as more agencies qualify for the program, there remains less money per agency and buses are expensive; i.e., between \$500K and \$1M each.

Fuel Tax Credit: These Federal funds are transferred out of the operating budget. The funds are transferred to capital reserves until the Board approves spending under the Capital budget.

Document 1A entitled, SCMTD FY17 Preliminary Schedule of Reserve Account Balances – Unaudited as of 3/3/17:

Finance Manager Aitken summarized the five year plan deficit and surplus projections. Committee discussion regarding the various reserve “buckets” and the state of each. For example, the Workers Comp and the Liability Insurance Reserve Funds are not fully funded at this time. It would take \$3M to fully fund our reserves. Ms. Kinslow added that METRO is self-insured for Workers Comp and Liability.

CEO Clifford noted the importance of a 5 year plan. Even with the projected Measure D funds, METRO will begin investigating a fare restructuring January 1, 2018 that could yield up to \$1M to begin the attack the deficit projected for FY19. The current projection indicates a return to the structural deficit comprehensive operational analysis exercise in FY21 and FY22 as the Operating Reserve will be exhausted in FY20. The largest financial relief could come from the passing of AB1/SB1, which has the potential to provide \$2M - \$2.5M. A decision is anticipated near the April 6, 2017 deadline.

Operating Reserve is used to match grants. For example, \$550K were used this year to purchase five buses.

Documents 2A and 2B, entitled SCMTD FY18 & FY19 Operating Budget Revenue Sources and Budget Assumptions, respectively. The consensus from this meeting will be presented to the Board in May.

Ms. Aitken provided commentary to the documents, noting that the Measure D funds reflected in FY19 are “net funds”. That is, RTC pays the administrative costs.

The Committee discussed the various percentages used by local agencies, cities and counties and concurred with Ms. Aitken’s budget assumption of 2.5%.

Documents 3A and 3B, entitled SCMTD Consolidated Expenses and Budget Assumptions, respectively

Ms. Aitken provided commentary to the documents.

Mr. Montesino clarified the SEIU contract was up for renewal in FY17. Ms. Aitken concurred, adding that step and longevity increases are included in the projection.

Mr. Montesino asked if management is anticipating a wage increase. CEO Clifford responded that the Board would address this after the Class and Comp study is complete.

Document 4, entitled Unfunded Capital Projects: CEO Clifford stressed the importance of maintaining a State of Good Repair (SOGR), which is defined as replacing, mid-lifing and maintaining vehicles on schedule. Any deviations result in being out of a SOGR. METRO needs \$200M+ to achieve a SOGR over the next 10 years. This \$200M+ includes the 60 buses we need to replace now and other infrastructure. He cited the power outages and generator faults during the last storm. The buses remain METRO’s highest priority. We require a minimum of 80 buses to meet daily pullout.

Committee Chair Leopold noted that the Board made a decision six years ago to defer capital funds to keep service on the street. Monies were allocated from Capital to Operating expenses.

Mr. Montesino said the Senior and Paratransit community needs more service; specifically on weekend and late night.

Committee Chair Leopold suggested we begin laying the groundwork for a future transit measure given the success self-help counties have had with initial measures. (Measure D received 2/3 approval.) Are there things we can do to show the public the benefits of passing Measure D? We need to begin building support.

Ideas were discussed to generate public support; e.g., signs advertising new buses and Paratransit vehicles “brought to you by Measure D”, etc.

Ms. Aitken said Measure D provides operating budget stability. If left in the Operating budget, it supports service on the street and allows fund transfers from STA and STIC.

ACTION: MOTION TO CONCUR WITH THE ASSUMPTIONS PRESENTED. COMMITTEE MEMBERS TO SHARE THIS INFORMATION TO THEIR RESPECTIVE AGENCIES AND INQUIRE FURTHER REGARDING SALES TAX PROJECTIONS. NEXT MEETING DATE WILL BE SET AFTER THE APRIL 24, 2017 BOARD MEETING.

MOTION: Director Leopold SECOND: Director Lind

MOTION CARRIED UNANIMOUSLY.

7 COMMITTEE RECOMMENDATIONS TO THE FULL BOARD – APRIL 28, 2017
Ms. Aitken to present the assumptions to the full board in April. The full budget presentation will occur at the May 19, 2017 Board Meeting.

8 ADJOURNMENT

Committee Chair Leopold adjourned the meeting at 9:41 AM.

Respectfully submitted,

Gina Pye

Executive Assistant