



**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO)
FINANCE, BUDGET AND AUDIT STANDING COMMITTEE AGENDA
MEETING MNUTES
JUNE 12, 2017 – 9:00 AM
METRO ADMIN OFFICES
110 VERNON STREET
SANTA CRUZ, CA 95060**

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COMMITTEE ROSTER

Director John Leopold, Committee Chair	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 District Counsel

MEETING TIME: 9:00AM

NOTE: THE COMMITTEE CHAIR MAY TAKE ITEMS OUT OF ORDER

- 1 CALL TO ORDER**
Meeting was called to order at 9:02AM by Committee Chair John Leopold.
- 2 ROLL CALL:** The following Directors were **present**, representing a quorum:

Director Cynthia Mathews	City of Santa Cruz
Director Leopold	County of Santa Cruz
Director Donna Lind	City of Scotts Valley
Director Oscar Rios	City of Watsonville

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

Angela Aitken, METRO
Lorraine Bayer

Antonio Castillo, SEIU VMU
Debbie Kinslow, METRO

- 3 COMMUNICATIONS TO THE FINANCE, BUDGET & AUDIT STANDING COMMITTEE**
Hearing none, the Committee Chair moved to the next agenda item.

- 4 ADDITIONS OR DELETIONS FROM AGENDA / ADDITIONAL DOCUMENTATION TO SUPPORT EXISTING AGENDA ITEMS**

Ms. Angela Aitken, Finance Manager, announced that additional materials would be provided as they are addressed in today's meeting. Copies would be available at the back of the room for the public.

- 5 ACCEPT AND FILE MINUTES OF THE MAY 8, 2017 FINANCE, BUDGET AND AUDIT STANDING COMMITTEE MINUTES**

ACTION: MOTION TO ACCEPT AND FILE THE MINUTES OF THE MAY 8, 2017 FINANCE, BUDGET AND AUDIT STANDING COMMITTEE AS PRESENTED.

MOTION: Director Mathews SECOND: Director Lind

ABSTAIN: Director Leopold

MOTION CARRIED, WITH ONE ABSTENTION.

- 6 DISCUSSION AND REVIEW OF STRATEGIC CHANGES TO THE FY18 AND FY19 OPERATING BUDGET AND FY18 CAPITAL BUDGET SINCE THE MAY 8, 2017 MEETING**

A. New Strategy for the Transfers to the Capital Budget

B. 5-Year Budget Plan

i. Add Bus Operators Contingent Upon Receipt of Signed Commitment from UCSC

C. New Strategy for the Transfers to the Capital Budget

D. 5-Year Budget Plan

E. New Strategy for the Transfers to the Capital Budget

CEO Clifford prefaced the budget discussion with a brief explanation of the purpose and flow of the meeting, the use of STIC funds and the Reserve 'bucket' achievement in five years. He cautioned that this is only a forecast; e.g., we cannot be certain how the sales tax will improve or decline, etc. This also makes no assumptions as to our labor contracts which are coming up at the end of FY19/beginning of FY20 (June 2019).

Ms. Aitken noted that, effective FY19, the State will no longer break out the funding sources within the STA allotment. She outlined the three elements which will improve METRO's financial standing:

1. Revised strategy as a result of inability to match STA Federal funds to Federal grants;
2. Revised strategy to transfer \$15M to the Capital Budget over the next 5 years; and,
3. Carryover monies will be transferred to replenish the Reserve buckets.

There was a short discussion around the efforts underway to reject SB1. In response to the Governor's request, METRO has provided documentation/hard commitments to the Governor and State as to how we would use these funds if available. CEO Clifford will also provide the Committee Members with a link so that they can include their own comments in support of SB1.

Page 6B.1 reflects the new strategy which permits a more fluid use of Operating funding. It also replenishes our Reserve buckets and keeps the operating budget balanced for a longer period of time. TIF is reflected in the Capital Budget; it is never in the Operating Budget only. Except as noted on the (Deficit) Surplus line, the numbers reflected in brackets indicate transfers to the Capital Budget or Reserve; not a negative or deficit number.

The term "Fringe benefits" is a Governmental Accounting Standards Board (GASB) term required by the Federal government for our Federal NTD data reporting. TIF is defined as Tax Increment Financing (contained in the Capital budget, never Operating Budget).

Director Mathews noted the allocated \$2.3M is low given the state of capital expenditures needed. Ms. Aitken agreed it is not enough to meet our needs, but it is a start. CEO Clifford added that this is a leveraging strategy and further explained that capital money would be used to purchase buses using annual grants; matching and otherwise. Many applications require that the matching funds be "in the bank". If the grant applications are not successful, we may use the \$2.3M to purchase CNG and/or electric buses each year.

Key points:

- Balanced operating budget for longer than originally anticipated;
- Fully funding reserve buckets over five years and then some; and,
- Sustainable, consistent \$3M targeted, going toward Capital investments; e.g., buying new buses every year for the next 5 years

On June 9th UCSC notified METRO that they would provide more money to METRO which will allow us to add funds in FY18 and FY19.

Mr. Barrow Emerson, Planning and Development Manager, elaborated: The new amendment includes a \$200K increase in their commitment which will allow METRO to hire two Bus Operators (1 FTE for new service and 1 FTE as an Extra Board) to provide new service between the Marine Lab and the UCSC campus. The new service would take effect September 2017.

CEO Clifford added that they are also planning a student ballot measure to increase the amount students pay for their bus pass or revert to charging per ride. We may also be getting closer to an articulated bus project between UCSC and METRO. Mr. Emerson noted

that the plan is to bring three buses into the system for UCSC's Winter and Spring quarters. We would like to 'wrap' them specifically for UCSC purposes.

Director Mathews suggested implementing a student engagement plan to ensure both TAPS and the student body are engaged.

Ms. Aitken distributed a revised 5 Year Budget Plan (see attached) which includes one FTE Bus Operator for new service and one FTE as an Extra Board.

Ms. Aitken summarized the changes incorporated and discussed today:

- Adding 2 bus operators;
- Various reclass changes; and,
- Minor changes to dues and subscriptions; e.g., professional association dues such as APTA, etc. (Refer to the listing within the budget presented May 19, 2017 for specifics)

These changes resulted in increases to the FY18 and FY19 budgets (to \$336K and \$378K, respectively) with corresponding Revenue.

There were no public comments.

In response to Director Lind's request for an explanation of the percentage METRO is aiming for, Ms. Aitken directed her to the page which includes a column labeled "Board Directed Minimum Balance". CEO Clifford added that METRO's goal is to obtain two months' operational sustainability. This is a long standing board policy which may be addressed in the future.

In summary, Ms. Aitken noted that the information presented today would be similar to that presented at the June 23, 2017 Board Meeting, including the UCSC changes to the 5 year plan.

ACTION: MOTION TO CONCUR WITH THE ASSUMPTIONS PRESENTED AND PROVIDE THE INFORMATION TO THE FULL BOARD AT THE JUNE 23, 2017 BOARD MEETING.

MOTION: Director Mathews

SECOND: Director Lind

MOTION CARRIED.

Committee Chair Leopold adjourned the meeting at 9:44AM.

Pursuant to Section 54954.2(a)(1) of the Government Code of the State of California, this agenda was posted at least 72 hours in advance of the scheduled meeting at a public place freely accessible to the public 24 hours a day. The agenda packet and materials related to an item on this Agenda submitted 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.